

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SINGLE AUDIT**

**JUNE 30, 2009**

***Perry & Associates***  
Certified Public Accountants, A.C.





Mary Taylor, CPA  
Auditor of State

Board of Education  
Beaver Local School District  
13093 State Route 7  
Lisbon, Ohio 44432

We have reviewed the *Independent Accountants' Report* of the Beaver Local School District, Columbiana County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 3, 2010

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**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT**

April 26, 2010

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

To the Board of Education:

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

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

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

As discussed in Note 18, 19 and 20 to the financial statements, the District is experiencing financial difficulties. The District's General Fund had a deficit cash fund balance of \$77,334 and the Food Service, EMIS and Title VI Funds, which are part of the Remaining Fund Information, had deficit balances of \$72,603, \$48,954 and \$3, respectively, as of June 30, 2009. Management does not have any long-term plans for reducing the fund deficits.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and 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 also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited**

The discussion and analysis of the Beaver Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. 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 notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

In total, net assets decreased \$1,331,588.

General revenues accounted for \$15,208,224, or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,556,776, or 23 percent of total revenues of \$19,765,000.

The District had \$21,096,588 in expenses related to governmental activities; only \$4,556,776 of these expenses was offset by program specific charges for services, grants or contributions. General revenue supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,208,224 was not adequate to provide for these programs.

The District's only major governmental fund is the General Fund. This fund had \$17,890,736 in revenues and other financing sources and \$18,611,364 in expenditures and other financing uses.

**Using this Annual Financial Report**

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

The statement of net assets and the 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 non-major funds presented in total in one column. The District has one major governmental fund: the General Fund.

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

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

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2009?" These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

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

In the statement of net assets and the statement of activities, the District's activities are considered to be all governmental activities:

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

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

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for its multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District has one major governmental fund: the General Fund.

Governmental Funds

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

**Reporting the District's Fiduciary Responsibilities**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

**The District as a Whole**

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

Table 1 provides a summary of the District's net assets for fiscal year 2009, compared to fiscal year 2008.

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2009</b>	<b>2008</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$5,906,762	\$7,414,802
Capital Assets, Net	2,759,467	3,064,292
Total Assets	8,666,229	10,479,094
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	7,810,472	7,978,705
Long-Term Liabilities	1,460,321	1,773,365
Total Liabilities	9,270,793	9,752,070
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	2,750,056	2,892,633
Restricted	282,471	471,409
Unrestricted	(3,637,091)	(2,637,018)
Total Net Assets (Deficit)	(\$604,564)	\$727,024

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2009, compared to fiscal year 2008.

**Table 2  
Change in Net Assets  
Governmental Activities**

	2009	2008
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$2,129,574	\$2,299,652
Operating Grants, Contributions and Interest	2,393,726	2,468,665
Capital Grants and Contributions	33,476	17,848
Total Program Revenues	4,556,776	4,786,165
General Revenues:		
Property Taxes	5,269,198	5,475,638
Grants and Entitlements	9,876,608	9,738,360
Interest	15,479	52,939
Miscellaneous	29,844	95,003
Proceeds from Sale of Capital Assets	17,095	11,278
Total General Revenues	15,208,224	15,373,218
Total Revenues	19,765,000	20,159,383
<b><u>Expenses</u></b>		
Instruction	13,053,775	13,120,615
Support Services:		
Pupils	563,821	569,760
Instructional Staff	450,690	490,005
Board of Education	20,559	20,746
Administration	1,817,945	1,895,486
Fiscal	436,209	406,316
Operation and Maintenance of Plant	1,762,072	1,721,272
Pupil Transportation	1,342,627	1,325,580
Operation of Non-Instructional Services	969,513	902,192
Extracurricular Activities	571,823	612,232
Capital Outlay	86,392	278,010
Interest and Fiscal Charges	21,162	9,017
Total Expenses	21,096,588	21,351,231
Change in Net Assets	(\$1,331,588)	(\$1,191,848)

Governmental Activities

Net assets of the District's governmental activities were decreased by \$1,331,588. Program revenues of \$4,556,776 and general revenues of \$15,208,224 offset total governmental expenses of \$21,096,588. Program revenues supported 23 percent of the total governmental expenses.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

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

Voters approved the last Emergency Levy renewal in March 2004. This levy, which generates approximately \$1.2 million per year for a five-year period of time, is expected to provide adequate revenue for general operating expenses through the calendar year 2009.

The District's financial condition has kept even in recent years, primarily due to management controlling expenses. Basic state support has increased very little the last year, and is expected a no growth increase in the 2008-2009 fiscal year. The District is projecting annual growth in State pupil basic aid support of 2.2 percent for 2010 and beyond. In addition, State revenue has contributed to the District \$1,192,657 and \$1,141,453 in parity aid for fiscal year 2009 and 2008, respectively. The District has continued the practice of financing new initiatives, such as full day, every day kindergarten programs at its elementary buildings.

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 those services supported by tax revenue and unrestricted state grants and entitlements.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
<b>Expenses</b>				
Instruction	\$13,053,775	\$9,667,329	\$13,120,615	\$9,460,525
Support Services:				
Pupils	563,821	554,366	569,760	555,030
Instructional Staff	450,690	450,690	490,005	490,005
Board of Education	20,559	20,559	20,746	20,746
Administration	1,817,945	1,809,791	1,895,486	1,887,331
Fiscal	436,209	436,209	406,316	406,316
Operation and Maintenance of Plant	1,762,072	1,762,072	1,721,272	1,721,272
Pupil Transportation	1,342,627	1,296,106	1,325,580	1,311,735
Operation of Non-Instructional Services	969,513	115,371	902,192	103,521
Extracurricular Activities	571,823	319,765	612,232	321,558
Capital Outlay	86,392	86,392	278,010	278,010
Interest and Fiscal Charges	21,162	21,162	9,017	9,017
<b>Total Expenses</b>	<b>\$21,096,588</b>	<b>\$16,539,812</b>	<b>\$21,351,231</b>	<b>\$16,565,066</b>

The dependence upon state revenues and taxes for governmental activities is apparent. 26 percent of instruction activities are supported through other general/state revenues. For all governmental activities, general revenue support is 22 percent. The State of Ohio, as a whole, is by far the primary support for the District's students.

**The District's Funds**

The District's governmental funds reported a combined fund balance of (\$2,440,502), which is below last year's total of (\$1,374,065). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2009.

	<b>Fund Balance June 30, 2009</b>	<b>Fund Balance June 30, 2008</b>	<b>Increase/ Decrease</b>
General	(\$2,317,275)	(\$1,596,647)	(\$720,628)
Other Governmental	(123,227)	222,582	(345,809)
<b>Total</b>	<b>(\$2,440,502)</b>	<b>(\$1,374,065)</b>	<b>(\$1,066,437)</b>

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

**General Fund**

The District's General Fund balance decreased by \$720,628. The decrease can be attributed primarily to the overall decrease in property tax revenues. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

	<b>2009 Amount</b>	<b>2008 Amount</b>	<b>Percentage Change</b>
<b><u>Revenues</u></b>			
Taxes	\$5,547,202	\$4,996,486	11.0%
Earnings on investments	15,269	52,433	70.8%
Intergovernmental	10,701,782	10,593,934	1.0%
Other revenues	1,626,483	2,287,991	28.9%
Total	<u>\$17,890,736</u>	<u>\$17,930,844</u>	0.2%
<b><u>Expenditures</u></b>			
Instruction	12,241,222	\$12,301,650	0.4%
Support Services	6,031,598	6,236,686	3.2%
Extracurricular activities	338,544	341,432	0.8%
Other expenses		93,695	100.0%
Total	<u>\$18,611,364</u>	<u>\$18,973,463</u>	1.9%

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2009, the District amended its General Fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control site budgets but provide flexibility for site management.

For the General Fund, final budgeted revenues and other financing sources were \$19,256,993.

General Fund original appropriations of \$19,020,821 were increased less than one percent in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$19,391,173, which was equal to the final budget appropriations.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$2,759,467 invested in land, land improvements, building and improvements, furniture and equipment, and vehicles. This entire total was reported in governmental activities. See the notes to the basic financial statements. The following table shows fiscal year 2009 balances compared to 2008.

<b>Capital Assets at June 30</b>		
	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Land	\$ 601,710	\$ 601,710
Land Improvements	1,053,905	1,053,905
Building/Improvements	5,168,185	5,168,185
Furniture/equipment	2,140,484	2,141,975
Vehicles	1,338,491	1,514,466
<b>Totals</b>	<b>\$10,302,775</b>	<b>\$10,480,241</b>

Debt Administration

At June 30, 2009, the District had \$181,430 in general obligation loans outstanding. Of this total, \$12,918 is due within one year and \$168,512 is due after one year. The following table summarizes the loans outstanding.

<b>Outstanding Debt, at Year End</b>		
	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
OWDA Loan	\$181,430	\$195,827
<b>Total</b>	<b>\$181,430</b>	<b>\$195,827</b>

**For the Future**

As the preceding information shows, the District relies heavily upon grants and entitlements, and property taxes. The renewal of the Emergency Levy in calendar year 2004 was imperative for the District to survive. This levy generates approximately \$1.2 million in tax revenue annually to meet the educational and operating needs. The future financial stability of the District is not without challenges.

As described in Note 19, on April 24, 2009 the District was declared to be in fiscal caution by the Ohio Department of Education and Auditor of State. Then subsequent to fiscal year end, on September 10, 2009 the District was declared to be in fiscal watch and on February 11, 2010 the district was declared to be in fiscal emergency. The general fund and other funds' year-end deficit balances have been disclosed in Note 18.

The first challenge is that although the District will have the resources necessary to meet operating expenses in fiscal year 2010, the District must maintain tight controls over spending to live within the means provided by the voters and the State of Ohio.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2009  
Unaudited  
(Continued)**

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

Another challenge is that the District will need to address school facilities. The District had a 5.1 mill bond issue in the November 7, 2006 general election, which failed. The District qualifies for the Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program (CFAP). The local share for facilities is 36% and the State would finance 64% of the cost of construction.

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

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

**Contacting the District's Financial Management**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Net Assets  
June 30, 2009**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 24,931
Materials and Supplies Inventory	44,042
Accounts Receivable	7,155
Intergovernmental Receivable	359,796
Prepaid Items	3,473
Taxes Receivable	5,467,365
Capital Assets:	
Non-Depreciable Capital Assets	601,710
Depreciable Capital Assets, net	<u>2,157,757</u>
Total Assets	<u>8,666,229</u>
<b>LIABILITIES:</b>	
Accounts Payable	515,593
Accrued Wages and Benefits	1,836,725
Intergovernmental Payable	404,243
Deferred Revenue	5,053,911
Long-Term Liabilities:	
Due Within One Year	78,847
Due in More Than One Year	<u>1,381,474</u>
Total Liabilities	<u>9,270,793</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	2,750,056
Restricted for Capital Outlay	52,170
Restricted for Other Purposes	230,301
Unrestricted	<u>(3,637,091)</u>
Total Net Assets	<u>\$ (604,564)</u>

See Accompanying Notes and Accountants Report to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2009**

Expenses	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 10,773,879	\$ 1,559,149	\$ 343,169	\$ (8,871,561)
Special	2,245,339		1,474,952	(770,387)
Vocational	19,496		9,176	(10,320)
Adult/Continuing	2,323			(2,323)
Student Intervention Services	12,557			(12,557)
Other	181			(181)
Support Services:				
Pupils	563,821		9,455	(554,366)
Instructional Staff	450,690			(450,690)
Board of Education	20,559			(20,559)
Administration	1,817,945		8,154	(1,809,791)
Fiscal	436,209			(436,209)
Operation and Maintenance of Plant	1,762,072			(1,762,072)
Pupil Transportation	1,342,627		13,045	33,476
Operation of Non-Instructional Services	969,513	318,367	535,775	(115,371)
Extracurricular Activities	571,823	252,058		(319,765)
Capital Outlay	86,392			(86,392)
Interest and Fiscal Charges	21,162			(21,162)
<b>Totals</b>	<b>\$ 21,096,588</b>	<b>\$ 2,129,574</b>	<b>\$ 2,393,726</b>	<b>\$ 33,476</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,233,639
Property Taxes, Levied for Debt Service				1,035,559
Grants and Entitlements not Restricted to Specific Programs				9,876,608
Investment Earnings				15,479
Miscellaneous				29,844
Proceeds from Sale of Capital Assets				17,095
Total General Revenues and Transfers				15,208,224
Change in Net Assets				(1,331,588)
Net Assets Beginning of Year				727,024
Net Assets End of Year				<u>\$ (604,564)</u>

See Accompanying Notes and Accountants Report to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2009**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ -	\$ 24,931	\$ 24,931
Materials and Supplies Inventory	21,160	22,882	44,042
Accounts Receivable	1,776	5,379	7,155
Interfund Receivable	12,166	77,334	89,500
Intergovernmental Receivable		359,796	359,796
Prepaid Items	3,473		3,473
Taxes Receivable	5,467,365		5,467,365
<b>Total Assets</b>	<b>\$ 5,505,940</b>	<b>\$ 490,322</b>	<b>\$ 5,996,262</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	447,245	68,348	515,593
Accrued Wages and Benefits	1,639,085	197,640	1,836,725
Interfund Payable	77,334	12,166	89,500
Intergovernmental Payable	355,832	48,411	404,243
Deferred Revenue	5,303,719	286,984	5,590,703
<b>Total Liabilities</b>	<b>7,823,215</b>	<b>613,549</b>	<b>8,436,764</b>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances		2,325	2,325
Reserved for Prepaid Items	3,473		3,473
Reserved for Property Taxes	163,646		163,646
Unreserved, Undesignated, Reported in:			
General Fund	(2,484,394)		(2,484,394)
Special Revenue Funds		(177,722)	(177,722)
Capital Projects Funds		52,170	52,170
<b>Total Fund Balances</b>	<b>(2,317,275)</b>	<b>(123,227)</b>	<b>(2,440,502)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,505,940</b>	<b>\$ 490,322</b>	<b>\$ 5,996,262</b>

See Accompanying Notes and Accountants Report to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2009**

Total Governmental Fund Balances	\$	(2,440,502)
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		2,759,467
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		536,792
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(181,430)	
Leases Payable	(100,181)	
Compensated Absences Payable	<u>(1,178,710)</u>	
		<u>(1,460,321)</u>
Net Assets of Governmental Activities	\$	<u><u>(604,564)</u></u>

See Accompanying Notes and Accountants Report to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009**

	<b>General Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Property and Other Local Taxes	\$ 5,547,202	\$ 35,559	\$ 5,582,761
Intergovernmental	10,701,782	1,561,835	12,263,617
Interest	15,269	210	15,479
Tuition and Fees	1,540,838	15,772	1,556,610
Rent	2,539		2,539
Extracurricular Activities	38,672	213,386	252,058
Customer Sales and Services		318,367	318,367
Miscellaneous	27,339	2,505	29,844
Total Revenues	17,873,641	2,147,634	20,021,275
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	10,753,998	150,600	10,904,598
Special	1,456,710	793,838	2,250,548
Vocational	19,496		19,496
Adult/Continuing	2,323		2,323
Student Intervention Services	8,562	3,995	12,557
Other	133	48	181
Support Services:			
Pupils	489,900	85,952	575,852
Instructional Staff	404,491	41,876	446,367
Board of Education	20,559		20,559
Administration	1,738,105	70,530	1,808,635
Fiscal	433,890	425	434,315
Operation and Maintenance of Plant	1,630,759	122,726	1,753,485
Pupil Transportation	1,313,894	100	1,313,994
Operation of Non-Instructional Services		966,653	966,653
Extracurricular Activities	338,544	219,245	557,789
Capital Outlay		1,896	1,896
Debt Service:			
Principal		14,397	14,397
Interest		21,162	21,162
Total Expenditures	18,611,364	2,493,443	21,104,807
Excess of Revenues Over (Under) Expenditures	(737,723)	(345,809)	(1,083,532)
<b>OTHER FINANCING SOURCES AND USES:</b>			
Proceeds from Sale of Capital Assets	17,095		17,095
Total Other Financing Sources and Uses	17,095	-	17,095
Net Change in Fund Balances	(720,628)	(345,809)	(1,066,437)
Fund Balance (Deficit) at Beginning of Year	(1,596,647)	222,582	(1,374,065)
Fund Balance (Deficit) at End of Year	\$ (2,317,275)	\$ (123,227)	\$ (2,440,502)

See Accompanying Notes and Accountants Report to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (1,066,437)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	27,065	
Depreciation	<u>(330,887)</u>	
		(303,822)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(1,003)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	40,193	
Delinquent Property Taxes	<u>(313,563)</u>	
		(273,370)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

162,248

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>150,796</u>	
		<u>150,796</u>

Change in Net Assets of Governmental Activities		\$ <u><u>(1,331,588)</u></u>
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See Accompanying Notes and Accountants Report to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 5,002,921	\$ 4,562,545	\$ 4,562,545	-
Intergovernmental	10,593,934	10,701,782	10,701,782	-
Interest	54,398	18,666	18,666	-
Tuition and Fees	1,641,114	1,540,799	1,540,799	-
Rent	3,449	2,539	2,539	-
Extracurricular Activities	42,707	38,672	38,672	-
Miscellaneous	75,428	28,071	28,095	24
<b>Total Revenues</b>	<u>17,413,951</u>	<u>16,893,074</u>	<u>16,893,098</u>	<u>24</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	10,722,712	10,572,210	10,572,210	-
Special	1,513,510	1,367,592	1,367,592	-
Vocational	19,061	19,144	19,144	-
Adult/Continuing	3,925	2,301	2,301	-
Student Intervention Services	11,305	8,562	8,562	-
Other				-
Support Services:				
Pupils	490,839	464,014	464,014	-
Instructional Staff	443,633	406,534	406,534	-
Board of Education	20,734	17,831	17,831	-
Administration	1,830,354	1,693,061	1,693,061	-
Fiscal	402,816	429,296	429,296	-
Operation and Maintenance of Plant	1,740,081	1,569,550	1,569,550	-
Pupil Transportation	1,339,498	1,170,083	1,170,083	-
Extracurricular Activities				
Academic Oriented Activities	16,327	11,743	11,743	-
Sport Oriented Activities	299,253	290,607	290,607	-
School and Public Service Co-Curricular Act.	28,875	33,005	33,005	-
<b>Total Expenditures</b>	<u>18,882,923</u>	<u>18,055,533</u>	<u>18,055,533</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,468,972)</u>	<u>(1,162,459)</u>	<u>(1,162,435)</u>	<u>24</u>
Other Financing Sources and Uses:				
Transfers In	1,285,292	1,341,975	1,341,975	-
Proceeds from Sale of Capital Assets	11,278	17,095	17,095	-
Refund of Prior Year Expenditures	2,297	4,849	4,849	-
Other Notes Issued	500,000	1,000,000	1,000,000	-
Transfers Out	(1,378,988)	(1,335,240)	(1,335,240)	-
Refund of Prior Year Receipts		(400)	(400)	-
<b>Total Other Financing Sources and Uses</b>	<u>419,879</u>	<u>1,028,279</u>	<u>1,028,279</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(1,049,093)</u>	<u>(134,180)</u>	<u>(134,156)</u>	<u>24</u>
Fund Balance (Deficit) at Beginning of Year	43,804	43,804	43,804	-
Prior Year Encumbrances Appropriated	13,761	13,761	13,761	-
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ (991,528)</u>	<u>\$ (76,615)</u>	<u>\$ (76,591)</u>	<u>\$ 24</u>

See Accompanying Notes and Accountants Report to the Basic Financial Statements

BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>56,611</u>
Total Assets	<u>56,611</u>
<b>Liabilities</b>	
Current Liabilities:	
Due to Students	<u>56,611</u>
Total Liabilities	\$ <u><u>56,611</u></u>

See Accompanying Notes and Accountants Report to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District operates under a locally elected, five-member Board of Education and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 82 non-certified and 152 certified full-time teaching personnel who provide services to 2,257 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the 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, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. Management has determined the District has no component units.

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Financial Reporting Entity (Continued)**

**ST. CLAIR TOWNSHIP**

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

**MADISON TOWNSHIP**

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

**ELKRUN TOWNSHIP**

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

**MIDDLETON TOWNSHIP**

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

**BEAVER LOCAL EDUCATION ASSOCIATION**

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

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

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Financial Reporting Entity (Continued)**

**OUTSIDE SUPPORT/BOOSTER CLUBS**

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

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

The District is associated with two organizations, which are defined as jointly governed organizations. These organizations are presented in Note 9 to the basic financial statements. These organizations are:

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

The District is also associated with an insurance purchasing pool – the Ohio Association of School Business Official Workers' Compensation Group Rating Program. It is presented in Note 8.

**Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Financial Reporting Entity (Continued)**

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Governmental Funds**

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

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

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

**Proprietary Fund**

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

**Fiduciary Funds**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus**

**Government-wide Financial Statements** - The statements 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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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. The fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Accounting (Continued)**

**Deferred Revenue**

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

Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2009, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenditures/Expenses**

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

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

**E. Budgetary Process**

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

**Tax Budget**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process (Continued)**

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2009.

**Appropriations**

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

**Encumbrances**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process (Continued)**

**Lapsing of Appropriations**

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

**F. Cash and Cash Equivalents and Investments**

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2009, investments were limited to overnight repurchase agreements and the State Treasurer's Investment Pool.

Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

As authorized by Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest was distributed to the General Fund and the Food Service Fund. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$15,269.

For presentation of the 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. During the fiscal year, all investments of the District had a maturity of three months or less.

**G. Inventory**

On the government-wide financial statements 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.

**H. Capital Assets**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Capital Assets (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's maintains a capitalization threshold of one thousand dollars. 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 capitalized.

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

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	5 - 20 years

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 income and property taxes, grants entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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: extracurricular activities, entitlements, tuition, and student fees.

**J. Interfund Balances**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Compensated Absences**

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

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

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases, bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

**M. Interfund Transactions**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Net Assets**

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

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

**O. Fund Balance Reserves**

The District records reservations for portions of fund equity that are legally segregated for a specific future use or that 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, property taxes, and prepaids.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**P. 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 2009.

**Q. Estimates**

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

**3. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	(\$720,628)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received In Cash FY 2009	196,063
Accrued FY 2009, Not Yet Received in Cash	(2,512,246)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(1,861,698)
Accrued FY 2009, Not Yet Paid in Cash	4,764,353
Budget Basis	(\$134,156)

**4. DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 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 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.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end the District's bank balance of \$170,927 was covered by FDIC insurance.

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments

As of June 30, 2009, the District had the following investments.

	<b>Carrying and Fair Value</b>	<b>Maturity</b>
STAR Ohio	\$10,916	Average

**Interest Rate Risk** - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

**Credit Risk** - STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

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

**Concentration of Credit Risk** - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed values listed as of January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. All property is required to be revalued every six years with a triennial update (triennial update was in 2001). The public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property taxes at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2009 taxes were collected are:

<u>Category</u>	<u>2008 Second- Half Collections</u>		<u>2009 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property Valuation:				
Agricultural/Residential	\$189,384,020	77%	\$35,554,860	15%
Commercial/Industrial	35,475,730	15%	189,384,020	78%
Public Utilities Personal	10,017,120	4%	9,937,990	4%
Tangible Personal	10,760,825	4%	6,901,330	3%
Total Valuation	<u>\$245,637,695</u>	<u>100%</u>	<u>\$241,778,200</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$31.10		\$31.10	

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

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

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008 are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, the entire amount measurable is not intended to finance current year operation. The receivable is therefore offset by a credit to deferred revenue.

**6. RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, accounts (tuition and fee), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**6. RECEIVABLES (CONTINUED)**

A summary of the principal items of receivables follows:

	<b>Amount</b>
Governmental Activities	
Taxes	\$5,467,365
Accounts	7,155
Intergovernmental	359,796
Total Receivables	\$5,834,316

**7. CAPITAL ASSETS**

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

	<b>Balance at 07/01/2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 06/30/2009</b>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$601,710	-	-	\$601,710
Total Nondepreciable Capital Assets	601,710	-	-	601,710
Depreciable Capital Assets				
Land Improvements	1,053,905	-	-	1,053,905
Buildings/Improvements	5,168,185	-	-	5,168,185
Furniture and Equipment	2,141,975	19,565	21,056	2,140,484
Vehicles	1,514,466	7,500	183,475	1,338,491
Total Depreciable Capital Assets	9,878,531	27,065	204,531	9,701,065
Less Accumulated Depreciation	7,415,949	330,887	203,528	7,543,308
Depreciable Capital Assets, Net	2,462,582	(303,822)	1,003	2,157,757
Governmental Activities Capital Assets, Net	\$3,064,292	(\$303,822)	\$1,003	\$2,759,467

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**7. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$86,431
Special	3,036
Support Services:	
Pupil	1,922
Instructional Staff	784
Administration	32,521
Fiscal	490
Operation and Maintenance of Plant	8,683
Pupil Transportation	93,127
Operation of Non-Instructional Services	2,163
Extracurricular	17,234
Capital Outlay	84,496
Total Depreciation Expense	<u><u>\$330,887</u></u>

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2009, the District had a \$500 deductible per occurrence. The Indiana Insurance Company provides liability insurance with a \$5,000,000 aggregate limit.

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

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

For fiscal year 2009, the District participated in the Ohio Association of School Business Official (OASBO) Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its Workers' Compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS**

Area Cooperative Computerized Education Service System (ACCESS) is a jointly governed organization among Mahoning County Educational Service Center, Columbiana Educational Service Center, Austintown Local School District, Boardman Local School District, East Liverpool City School District, Salem City School District, West Branch Local School District, Beaver Local School District, Poland Local School District, Canfield Local School District, Struthers City School District, Campbell City School District, United Local School District, Springfield Local School District, Jackson-Milton Local School District, South Range Local School District, Columbiana Local School District, Leetonia Exempted Village School District, Sebring Local School District, Western Reserve Local School District, Mahoning County Career & Technical Center, Lowellville Local School District, and Columbiana County Career Center.

The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The seven-member board of governors consists of the two superintendents and one Treasurer from each county (Columbiana and Mahoning). The degree of control exercised by any participating school district is limited to its representation on the board. Mahoning County Educational Service Center is the fiscal agent for ACCESS. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained by writing to: Mahoning County Educational Service Center, Treasurer's Office, 100 DeBartolo Place, Suite 104, Youngstown, Ohio 44512-7019.

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

**10. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

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

**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS (CONTINUED)**

**A. School Employees Retirement (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the 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 the fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2008, 10.58 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$332,898, \$319,765, and \$234,617, respectively, 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The 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% 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.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS (CONTINUED)**

**B. State Teachers Retirement System (Continued)**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10 percent of annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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 pension obligations to STRS Ohio for pension obligations for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,166,326, \$1,181,210, and \$1,102,668, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

**11. 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 partial 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 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 the 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, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$87,837 for fiscal year 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008, the balance in the Fund was \$3.7 billion. For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$288,878,000 and STRS Ohio had 126,506 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The District's contributions for the year ended June 30, 2008 were \$15,694, which equaled the required contributions for the year.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits; the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.16%. The actuarially required contribution (ARC), as of the December 31, 2008 annual valuation, was 13.41% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2009, 2008, and 2007 were \$99,394, \$75,830, and \$73,623, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**12. OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

**Life and Medical Insurance**

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

The District has contracted with Anthem Blue Cross Blue Shield to provide employee medical/surgical benefits under a fully insured plan. The District pays medical/surgical and prescription premiums of \$1,080.70 for family coverage and \$432.26 for single coverage per employee per month. The prescription plan includes a \$12.00 charge for brand name prescriptions and \$5.00 for generic.

Dental insurance is also provided by Anthem Blue Cross Blue Shield. Premiums for dental coverage are \$33.01 for single coverage and \$89.89 for family coverage per employee per month.

The Vision Service Plan provides vision insurance. Premiums for vision coverage are \$8.49 for single coverage and \$16.96 for family coverage per employee per month.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**13. LONG-TERM OBLIGATIONS**

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

<b>Governmental Activities</b>	<b>Balance at 07/01/2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/09</b>	<b>Due Within One Year</b>
OWDA Loan Payable	\$195,827	-	\$14,397	\$181,430	\$12,918
Compensated Absences	1,329,506	\$1,178,710	1,329,506	1,178,710	-
Capital Leases Payable	248,032	-	147,851	100,181	65,929
Total Governmental Activities Long-Term Liabilities	<u>\$1,773,365</u>	<u>\$1,178,710</u>	<u>\$1,491,754</u>	<u>\$1,460,321</u>	<u>\$78,847</u>

The OWDA loan will be paid from the Debt Service Fund. Capital leases will be paid from the General Fund (copier and computer equipment), the miscellaneous federal grants fund, a special revenue fund type (computer equipment), and the SchoolNet Fund, a capital projects fund type (computer equipment). Compensated absences will be paid from the fund from which the person is paid.

The annual requirements to amortize the OWDA loan are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$12,918	\$3,566	\$16,484
2011	13,177	3,307	16,484
2012	13,442	3,041	16,483
2013	13,712	2,771	16,483
2014	13,988	2,496	16,484
2015-2019	74,272	8,146	82,418
2020-2022	39,920	1,289	41,209
Total	<u>\$181,430</u>	<u>\$24,616</u>	<u>\$206,045</u>

The District's overall legal debt margin was \$21,760,038 with an unvoted debt margin of \$241,778 at June 30, 2009.

On July 7, 2008, the District issued a short term note for \$500,000. The note was matured on December 31, 2008. The interest rate on the note was 4.23 %.

On January 8, 2009, the District issued a short term note for \$500,000. The note was matured on June 30, 2009. The interest rate on the note was 3.66 %.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**14. CAPITALIZED LEASES – LESSEE DISCLOSURE**

During a prior fiscal year, the District has entered into lease agreements as a lessee for financing the acquisition of certain fixed assets (phone and computer equipment) which was accounted for on a cash basis as an expenditure with an offset amount reported as an other financing source. These leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board (FASB) Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The assets acquired under the lease agreements have been capitalized in the statement of net assets in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability is recorded in the government-wide financial statements.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2009:

Fiscal Year Ending June 30,	General Long-Term Obligations
2010	\$72,389
2011	36,220
Total Future Minimum Lease Payments	108,609
Less: Amount Representing Interest	(8,428)
Present Value of Future Minimum Lease Payments	\$100,181

**15. INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statement:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 12,166
Nonmajor Governmental Funds	General Fund	77,334
		\$ 89,500

**16. CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

**B. Litigation**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**17. STATUTORY RESERVES**

The District is required by State law to set aside certain General Fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presorted on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<b>Textbook/ Instructional</b>	<b>Capital Improvements</b>
Set-aside Cash Balance as of June 30, 2008	(\$112,958)	
Current Year Set-aside Requirement	374,177	\$374,177
Qualifying Expenditures During the Fiscal Year	(534,088)	(490,580)
Total	(\$272,869)	(\$116,403)
Balance of the Set Aside Carried Forward to The Next Fiscal Year Total	(\$272,869)	

**18. ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

	<b>Deficit</b>
Major Fund	
General	\$2,317,275
Nonmajor Funds	
Food Service	171,377
EMIS	54,022
Poverty Aid Grant	82
Title I	16,711
Title VI	459
Drug Free Schools	246
Title II-A	26,900

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 in the General, the food service, EMIS, and Title VI funds result from negative cash balances at fiscal year-end and adjustments for accrued liabilities. The deficit fund balances in the Poverty Aid, Title I, Drug Free Schools and Title II-A funds result from adjustments for accrued liabilities.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**B. Compliance**

Contrary to Ohio Revised Code Section 5705.10, the District had the following negative cash balances at June 30, 2009 in the following funds:

	<b>Deficit</b>
Major Fund	
General	\$77,334
Nonmajor Funds	
Food Service	72,603
EMIS	48,954
Title VI	3

The deficit balances are in part to a deficit cash fund balance and failure to adequately fund these programs, as well as the application of generally accepted accounting principles. As of the date of this report, management has not made any formal long-term plans to address the deficit that remains in the General, Food Service, EMIS and Title VI Funds.

**19. FISCAL CONDITION**

On April 24, 2009 the District was declared to be in "Fiscal Caution" by the Ohio Department of Education and the Auditor of State.

The Major and Non-Major Funds' year-end deficit balances have been disclosed in Note 18.

Then subsequent to fiscal year end, on September 10, 2009 the District was declared to be in "Fiscal Watch" by the Auditor of State. Effective September 1996, legislation permitted this declaration regarding declining district financial conditions. In accordance with this law, within sixty days of the Auditor's declaration of a fiscal watch, the board of education of the District has to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the District's current operating deficit and avoid future deficits.

On January 20, 2010, the Ohio Department of Education notified the Auditor of State that the District failed to submit an acceptable recovery plan.

On February 11, 2010, the Auditor of State declared the District to be in a state of "Fiscal Emergency" under Section 3316.03 (B)(2) of the Ohio Revised Code. On February 23, 2010, the Fiscal Commission was organized.

On March 15, 2010, the Fiscal Commission approved resolutions for permanent by-laws, and assumed authority over personnel and purchase orders.

**20. SUBSEQUENT EVENT**

As of the date of this report, the Fiscal Commission has reported on the staffing analysis and is in the process of developing the District's recovery plan. An entity may be released from fiscal emergency if the Department of Education determines that corrective actions have been or are being implemented. Management is cooperating with the Fiscal Commission to develop an acceptable recovery plan.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	\$ 112,600	\$ 112,600
National School Lunch Program			
Cash Assistance	10.555	\$ 344,716	\$ 344,716
Non-Cash Assistance (Food Distribution)	10.555	67,549	67,549
National School Lunch Program Subtotal		412,265	412,265
<b>Total for Program (Cluster)</b>		<b>524,865</b>	<b>524,865</b>
<i>Cash Assistance Subtotal</i>		457,316	
<i>Non-Cash Assistance (Food Distribution) Subtotal</i>		67,549	
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	18,088	26,102
		362,403	341,851
		-	4,704
		<u>26,087</u>	<u>22,794</u>
Total Title I Grants to Local Educational Agencies		406,578	395,451
Access Grant	84.027	-	1,134
		-	3,185
		-	128,435
Special Education Grants to States	84.027	461,782	416,690
Total Title VI Grants to Local Educational Agencies		<u>461,782</u>	<u>549,444</u>
Title V Grant	84.298	1,408	1,697
		1,635	1,634
		<u>3,043</u>	<u>3,331</u>
Title II-D Grant	84.318	-	486
		-	164
		1,518	1,942
Total Title II-D Grant		<u>1,518</u>	<u>2,592</u>
Drug Free School Grant	84.186	1,085	1,635
		6,412	6,256
Total Drug Free School Grant		<u>7,497</u>	<u>7,891</u>
Title II-A Grant	84.367	-	121
		943	8,908
		124,293	124,138
Total Title II-A Grant		<u>125,236</u>	<u>133,167</u>
<b>Total Department of Education</b>		<b><u>1,005,654</u></b>	<b><u>1,091,876</u></b>
<b>Total Federal Receipts and Expenditures</b>		<b><u>\$ 1,530,519</u></b>	<b><u>\$ 1,616,741</u></b>

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2009**

**Note A – Significant Accounting Policies**

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

**Note B – Food Donation**

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

**Note C – National School Lunch Program**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

April 26, 2010

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate fund information of the **Beaver Local School District, Columbiana County, Ohio** (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report dated April 26, 2010, wherein we noted the District's General, Food Service, EMIS and Title VI Funds had deficit cash fund balances as of June 30, 2009 and management does not have any long-term plans to reduce the deficit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated April 26, 2010.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matter that we must report under *Government Auditing Standard* which is described in the accompanying schedule of findings as item 2009-001.

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

April 26, 2010

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

To the Board of Education:

**Compliance**

We have audited the compliance of **Beaver Local School District, Columbiana County, Ohio** (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect one of the major federal programs. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 its major federal program for the year ended June 30, 2009.

### Internal Control over Compliance

The District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with federal programs' compliance requirements.

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.

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title VI Grants to Local Educational Agencies - CFDA # 84.027
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009  
(CONTINUED)**

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

**Noncompliance Citation**

**Ohio Revised Code § 5705.10(H)** states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expense of another fund.

The following funds reflected a negative cash fund balance at June 30, 2009:

<u>Fund</u>	<u>Deficit</u>
General	\$ 77,334
Food Service	72,603
EMIS	48,954
Title VI	3

**Ohio Revised Code § 3315.20** provides an allowable exception for school districts. A school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit [R.C. § 3315.20(A)];
- There is a reasonable likelihood that the payment will be made [R.C. § 3315.20(A)];
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds. [R.C. § 3315.20(B)].

The School District's Food Service, EMIS and Title VI Funds would qualify as special revenue funds; however, when applying the exceptions of Ohio Revised Code § 3315.20, the School District could not satisfy the conditions necessary to allow a deficit.

We recommend the Treasurer monitor fund balances to properly ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the School District may be able to advance money from other funds. The School District can refer to Auditor of State Bulletin 97-003 to determine if an advance of funds prevent a deficit cash balance would be appropriate.

**Management's Response** – We did not receive a response from officials to this finding.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

***Perry & Associates***  
Certified Public Accountants, A.C.

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Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

April 26, 2010

Beaver Local School District  
Columbiana County  
13903 State Route 7  
Lisbon, OH 44432

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on July 14, 2003.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;
- (10) A requirement that the District's administration semiannually provide the president of the District's Board a written summary of all reported incidents and post the summary on its web site to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**Mary Taylor, CPA**  
Auditor of State

**BEAVER LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 13, 2010**