



Dave Yost • Auditor of State

**Beaver Local School District
Columbiana County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2011**

Local Government Services Section

Beaver Local School District
Columbiana County

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Dave Yost • Auditor of State

Beaver Local School District
Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Beaver Local School District, Columbiana County, Ohio, and issued a report dated December 21, 2010. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2011 of \$197,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2011.

DAVE YOST
AUDITOR OF STATE

A handwritten signature in black ink that reads "Unice S. Smith".

Unice S. Smith
Chief of Local Government Services

March 24, 2011

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Dave Yost • Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Beaver Local School District for the fiscal year ending June 30, 2011. The Beaver Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Beaver Local School District for the fiscal years ended June 30, 2008, 2009 and 2010 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

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

Dave Yost
Auditor of State

December 21, 2010

Beaver Local School District
Columbiana County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;
For the Fiscal Year Ending June 30, 2011 Forecasted
General Fund

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted
Revenues				
General Property Taxes	\$5,310,000	\$5,484,000	\$5,398,000	\$5,508,000
Tangible Personal Property Taxes	214,000	114,000	25,000	10,000
Unrestricted Grants-in-Aid	9,698,000	9,688,000	9,281,000	9,257,000
Restricted Grants-in-Aid	82,000	85,000	27,000	34,000
Restricted Federal Grants-in-Aid - SFSF	0	0	625,000	694,000
Property Tax Allocation	805,000	937,000	1,120,000	1,014,000
All Other Revenues	1,829,000	1,657,000	1,609,000	1,557,000
<i>Total Revenues</i>	<u>17,938,000</u>	<u>17,965,000</u>	<u>18,085,000</u>	<u>18,074,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	500,000	1,000,000	2,600,000	0
Solvency Assistance Advance	0	0	889,000	0
Transfers In	0	7,000	0	0
Advances In	0	0	0	5,000
<i>Total Other Financing Sources</i>	<u>500,000</u>	<u>1,007,000</u>	<u>3,489,000</u>	<u>5,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>18,438,000</u>	<u>18,972,000</u>	<u>21,574,000</u>	<u>18,079,000</u>
Expenditures				
Personal Services	10,022,000	9,565,000	9,307,000	8,971,000
Employees' Retirement/Insurance Benefits	3,788,000	3,615,000	4,025,000	3,725,000
Purchased Services	3,446,000	3,628,000	3,779,000	3,930,000
Supplies and Materials	818,000	673,000	611,000	597,000
Capital Outlay	480,000	236,000	170,000	227,000
Debt Service:				
Principal-Solvency Assistance Advance	512,000	1,013,000	2,600,000	445,000
Principal-OWDA	0	0	13,000	13,000
Interest	9,000	23,000	41,000	3,000
Other Objects	284,000	320,000	333,000	332,000
<i>Total Expenditures</i>	<u>19,359,000</u>	<u>19,073,000</u>	<u>20,879,000</u>	<u>18,243,000</u>
Other Financing Uses				
Transfers Out	94,000	0	228,000	76,000
Advances Out	0	0	5,000	0
<i>Total Other Financing Uses</i>	<u>94,000</u>	<u>0</u>	<u>233,000</u>	<u>76,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>19,453,000</u>	<u>19,073,000</u>	<u>21,112,000</u>	<u>18,319,000</u>
<i>Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses</i>	(1,015,000)	(101,000)	462,000	(240,000)
Cash Balance (Deficit) July 1	1,091,000	76,000	(25,000)	437,000
Cash Balance (Deficit) June 30	76,000	(25,000)	437,000	197,000
Encumbrances				
Actual/Estimated Encumbrances June 30	14,000	0	0	0
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$62,000</u>	<u>(\$25,000)</u>	<u>\$437,000</u>	<u>\$197,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See independent accountant's report

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

Note 1 – The School District

The Beaver Local School District (the School District) is located in Columbiana County and encompasses the Townships of Elkton, Madison, Middleton and St. Clair and the Villages of Calcutta and Rogers. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates three elementary schools, one middle school and one high school. The School District is staffed by 84 classified and 142 certificated personnel to provide services to approximately 2,097 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Beaver Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of December 21, 2010, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the school district fiscal stabilization funds and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

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 appropriation resolution, all of which are prepared

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal 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.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Columbiana County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Beaver Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Columbiana County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2011 (the collection year) for real and public utility property taxes represents collections of 2010 taxes (the tax year). Property tax delinquencies received during calendar year 2011 for tangible personal property (other than public utility property) are for calendar year prior year taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “Property Tax Allocation”.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2011.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, first and last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$4.60
Continuing Operating	1976	n/a	n/a	21.00
Emergency (\$1,200,000)	2009	2010	2014	5.50
Total Tax Rate				\$31.10

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$25.31 per \$1,000 of assessed valuation for collection year 2011, and the effective commercial and industrial real property tax rate is \$25.83 per \$1,000 of assessed valuation for collection year 2011.

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Columbiana County Auditor. The School District anticipates an increase of \$110,000 over the prior fiscal year due to a reappraisal in tax year 2010.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2010 from general business taxpayers and no tangible personal property tax on telephone property will be collected in 2011. The School District, based on the last year of collections before the phase out period, lost approximately \$714,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below). The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

Unrestricted Grants-in-Aid

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills multiplied by the school district's taxable property valuation. The per pupil foundation level was set by State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

The per pupil amount for fiscal years 2008 and 2009 are as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2008	\$5,565	\$49	\$5,614
2009	5,732	51	5,783

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal years 2010 and 2011.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. In addition, school districts are guaranteed 99 percent of prior year's State Foundation aid in fiscal year 2010 and 98 percent of the prior fiscal year in fiscal year 2011. For fiscal year 2011, the Beaver Local School District estimates \$9,257,000 in adequacy funding. The reduction is due to a slight decrease in State foundation revenues from a drop in enrollment.

In fiscal years 2010 and 2011, approximately six percent and seven percent, respectively, of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see Restricted Federal Grants-in-Aid).

Restricted Grants-in-Aid

For fiscal years 2008 and 2009, restricted grants-in-aid consisted of career technologies, bus purchase, parity aid and poverty based aid receipts. For fiscal year 2011, the School District anticipates \$34,000 in restricted grants-in-aid receipts for career technologies and a college grant.

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

Restricted Federal Grants-in-Aid

In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The Beaver Local School District, based on estimates provided by the Department of Education, anticipates \$694,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries, supplies and equipment purchases.

Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption increased State allocation revenue and decreased property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimbursed the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2011, the School District anticipates receiving \$168,000 of reimbursement for the tangible personal property tax phase out. The reduction is the result of a “true-up” calculation done by the Ohio Department of Education that is reducing the overall amount received.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Variance
Homestead and Rollback	\$689,000	\$815,000	\$824,000	\$846,000	\$22,000
Tangible Personal Property Exemption	15,000	8,000	0	0	0
Tangible Personal Property Loss Reimbursement	101,000	114,000	296,000	168,000	(128,000)
Totals	\$805,000	\$937,000	\$1,120,000	\$1,014,000	(\$106,000)

Beaver Local School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

All Other Revenues

All other revenues include tuition, interest, rental income, student class fees, Reserve Officer Training Corps (ROTC) and E-rate reimbursements and other revenue.

The decrease in open enrollment tuition revenue is due to a decrease in the number of students from other school districts attending the School District. Other tuition includes preschool, regular day school for court order students, summer school and special education. The decrease in other tuition is due to a smaller number of court order students in fiscal year 2011.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is anticipated to decrease due to low interest rates and little money available to invest in fiscal year 2011.

The ROTC program is a federally funded program established to train students interested in joining the military after they finish school. The School District forecasts this to increase slightly from the prior fiscal year.

The increase in other revenue is due to the School District receiving an insurance reimbursement for a school bus that had been totaled in August of fiscal year 2011.

All other revenues consist of the following:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Variance Increase (Decrease)
Open Enrollment Tuition	\$1,501,000	\$1,369,000	\$1,414,000	\$1,371,000	(\$43,000)
Other Tuition	66,000	105,000	79,000	58,000	(21,000)
Extracurricular Transportation	44,000	36,000	27,000	24,000	(3,000)
Interest	54,000	19,000	4,000	2,000	(2,000)
Rentals	3,000	2,000	2,000	3,000	1,000
Student Class Fees	31,000	31,000	24,000	24,000	0
ROTC Reimbursements	31,000	31,000	33,000	34,000	1,000
E-Rate	11,000	14,000	14,000	11,000	(3,000)
Other	88,000	50,000	12,000	30,000	18,000
Totals	<u>\$1,829,000</u>	<u>\$1,657,000</u>	<u>\$1,609,000</u>	<u>\$1,557,000</u>	<u>(\$52,000)</u>

Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2008, the School District issued \$500,000 in tax anticipation notes at 4.23 percent against fiscal year 2008 tax collections. The notes were repaid during fiscal year 2008. During fiscal year 2009, the School District issued \$500,000 in tax anticipation notes at

Beaver Local School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011

4.23 percent and \$500,000 in tax anticipation notes at 3.66 percent against fiscal year 2009 tax collections. These notes were repaid during fiscal year 2009. During fiscal year 2010, the School District issued \$800,000 in tax anticipation notes at 3.66 percent interest, \$600,000 in tax anticipation notes at 3.66 percent, \$700,000 in tax anticipation notes at 3.66 percent and \$500,000 in tax anticipation notes at 3.82 percent against fiscal year 2010 tax collections. These notes were repaid during fiscal year 2011.

Solvency Assistance Advance – During fiscal year 2010, the School District received a Solvency Assistance Fund Advance in the amount of \$889,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-93-03 of the Ohio Administrative Code. The advance will be repaid over two years from State foundation revenues.

Transfers In – During fiscal year 2009, the School District transferred in \$7,000 due to closing a student activity account. The School District does not anticipate any transfers in during fiscal year 2011.

Advances In – During fiscal year 2010, the School District advanced \$5,000 to other funds. The School District anticipates these advances being repaid in fiscal year 2011.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Staffing levels for the last three fiscal years and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

	2008	2009	2010	2011
General Fund:				
Certified	145	146	135	125
Classified	68	69	65	65
Total General Fund:	<u>213</u>	<u>215</u>	<u>200</u>	<u>190</u>
Other Funds:				
Certified	20	8	18	17
Classified	25	20	20	19
Total Other Funds:	<u>45</u>	<u>28</u>	<u>38</u>	<u>36</u>
Totals	<u><u>258</u></u>	<u><u>243</u></u>	<u><u>238</u></u>	<u><u>226</u></u>

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Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period September 1, 2008 to August 31, 2011, and allows for a three percent increase in the base salary and step increases ranging from 2 to 4 percent for fiscal year 2011. Certified employees received a three percent increase as well as annual step increases for fiscal year 2011. In prior fiscal years, certified staff received similar salary and step increases. The decrease in certified salaries is due to fewer certified employees and additional employees paid from the grant funds rather than the general fund because of additional federal grant monies received in fiscal year 2011.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2007 to June 30, 2011. The contract allows for a 3.5 percent increase in the base salary for fiscal years 2008 through 2011 and step increases ranging from 1 to 2 percent in each year of the contract. Classified salaries are forecasted to decrease due to four positions being replaced with lower paid employees offset by an increase in both the base salary and steps.

Substitutes are forecasted to increase from fiscal year 2010 for both certified and classified staffing due to a need for more long term substitutes during fiscal year 2011 than in fiscal year 2010.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees amounts to a maximum of 120 days payable over two years. Payments to classified employees retiring from the School District are equal to one fourth of their unused sick leave, but not to exceed 100 days paid. Severance costs are anticipated to decrease due to fewer staff members retiring during the forecast period as compared with fiscal year 2010.

Presented below is a comparison of salaries and wages for the past three fiscal years and the forecast period.

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Certified Salaries	\$7,599,000	\$7,217,000	\$6,877,000	\$6,597,000	(\$280,000)
Classified Salaries	1,487,000	1,442,000	1,463,000	1,454,000	(9,000)
Substitute Salaries	503,000	382,000	376,000	411,000	35,000
Supplemental Contracts	218,000	216,000	208,000	225,000	17,000
Severance	176,000	281,000	363,000	262,000	(101,000)
Other Salaries and Wages	39,000	27,000	20,000	22,000	2,000
Totals	<u>\$10,022,000</u>	<u>\$9,565,000</u>	<u>\$9,307,000</u>	<u>\$8,971,000</u>	<u>(\$336,000)</u>

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each

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fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent and treasurer.

In years past, SERS has been paid six months in arrears in Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Beaver Local School District has chosen option two; therefore, the School District's retirement costs will increase during fiscal year 2011 which is offset from the decrease from the reduction in employees. The total liability for the School District is \$145,332 with annual payments of \$24,222.

Health care, vision and dental insurance rates are fixed by the Board of Education on a yearly basis, from September to August. The monthly payments per insured for health care benefits are as follows:

Coverage:	<u>Effective August 1, 2008</u>	<u>Effective August 1, 2009</u>	<u>Effective August 1, 2010</u>
Family	\$1,149.38	\$1,172.46	\$1,264.16
Single	459.76	468.98	505.66

Health care costs are based on the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The health care program includes medical, prescription drug, dental care, and vision. Health care rates are fixed for a twelve month period. The decrease in health care/dental/life insurance is due to the School District making only twelve payments during fiscal year 2011 opposed to thirteen payments during fiscal year 2010 as well as a two percent increase in premium. During fiscal year 2009, the School District only made eleven payments due to its financial problems.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District has chosen to make two payments in prior fiscal years but is forecasting making one payment during fiscal year 2011. The workers' compensation calculation for 2011 forecasted a decrease in workers' compensation due to the School District paying 100 percent of the current billing versus the amount paid in fiscal year 2010 being 55 percent from the prior billing as well as the entire 100 percent for the billing due in May 2010.

For fiscal year 2011, other benefits include unemployment, tuition reimbursement, uniform cleaning and other insurance. This line item increased from the prior fiscal year. This is due to an increase in unemployment for fiscal year 2011.

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Presented below is a comparison of fiscal years 2008, 2009, 2010, and the forecast period:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Employer's Retirement	\$1,394,000	\$1,381,000	\$1,324,000	\$1,323,000	(\$1,000)
Health Care/Life Insurance	2,231,000	2,056,000	2,396,000	2,170,000	(226,000)
Workers' Compensation	46,000	65,000	181,000	107,000	(74,000)
Medicare	91,000	93,000	95,000	90,000	(5,000)
Other Benefits	26,000	20,000	29,000	35,000	6,000
Totals	\$3,788,000	\$3,615,000	\$4,025,000	\$3,725,000	(\$300,000)

Purchased Services

Presented below are the purchased services expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Professional and Technical Services	\$936,000	\$864,000	\$963,000	\$908,000	(\$55,000)
Property Services	422,000	364,000	323,000	382,000	59,000
Travel and Meeting Expenses	32,000	21,000	20,000	20,000	0
Communication Costs	53,000	43,000	42,000	46,000	4,000
Utility Services	417,000	454,000	494,000	499,000	5,000
Trade Services	27,000	24,000	29,000	24,000	(5,000)
Tuition Payments	1,548,000	1,847,000	1,897,000	2,038,000	141,000
Pupil Transportation	11,000	11,000	11,000	13,000	2,000
Totals	\$3,446,000	\$3,628,000	\$3,779,000	\$3,930,000	\$151,000

Professional and technical services decreased from the prior fiscal year due to the School District holding bills for services from the Columbiana County Educational Service Center from fiscal year 2009 that were paid in fiscal year 2010. The School District had no bills held from fiscal year 2010 being paid during fiscal year 2011. Property services increased due to an increase in repairs. Utility services increased due to a projected rate increase in natural gas. Tuition payments increased due to more students attending community schools and other school districts resulting in higher tuition payments to be made by the School District.

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Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$292,000	\$284,000	\$244,000	\$226,000	(\$18,000)
Operations, Maintenance and Repair	424,000	327,000	343,000	350,000	7,000
Textbooks	102,000	62,000	24,000	21,000	(3,000)
Totals	\$818,000	\$673,000	\$611,000	\$597,000	(\$14,000)

Supplies and materials are forecasted to decrease due to the anticipated decrease in general supplies, library books and periodicals and textbook purchases. This decrease is due to the School District having less cash available to make these purchases.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2011, the School District is forecasting the payment of a bus lease as well as the purchase of new equipment.

Debt Service

During fiscal year 2010, the School District issued \$2,600,000 in tax anticipation notes at 3.66-3.78 percent. The notes have all matured and have been paid in full as of June 30, 2010. The School District paid \$38,000 in interest on these notes during fiscal year 2010. These notes were repaid with property tax revenues. The School District also has an outstanding Ohio Water Development Authority note in which it makes principal and interest payments through fiscal year 2022. The School District will pay \$13,000 in principal and \$3,000 in interest on this debt during fiscal year 2011. The School District also received \$889,000 in a state solvency advance. The School District will pay \$445,000 in principal on this advance during fiscal year 2011.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. This amount includes an increase in liability insurance offset by lower county board expenditures. The School District cancelled non-essential services and has fewer students being served by the Columbiana County Educational Service Center.

Transfers Out

For fiscal year 2011, \$76,000 in transfers is anticipated to be made to the food service and the Educational Management Information Systems (EMIS) funds to cover deficits at year-end. In prior fiscal years, transfers were made to the food service fund, permanent improvement fund, uniform school supplies fund and a couple public school support funds.

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Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. The School District closely monitors its encumbrances as it nears the fiscal year-end. At the end of the prior three fiscal years, the School District has had minimal to no outstanding encumbrances at fiscal year-end. As a result, the School District is forecasting no encumbrances for fiscal year 2011.

Note 9 - Reservations of Fund Balance

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

Textbooks and Instructional Materials Set-Aside

The set aside amount for fiscal year 2011 is \$312,000. The School District anticipates \$190,000 in qualifying expenditures during the current fiscal year and \$403,000 in a carryover of excess expenditures from fiscal year 2010. Therefore, no reserve for textbooks and instructional materials is forecasted.

Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2011 is \$312,000. The School District anticipates \$515,000 in qualifying expenditures during the current fiscal year that includes lease payments and large repairs to the School Districts' buildings and equipment. Therefore, no reserve for capital acquisition and improvements is forecasted.

Note 10 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

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Note 11 - Levies

Since 2002, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
May 7, 2002	Permanent Improvement	1.50 mills	5 Years	Failed
November 4, 2003	Bond Issuance	18,000,000	5 Years	Failed
May 2, 2004	Emergency (Renewal)	1,200,000	5 Years	Passed
August 3, 2004	Bond Issuance	18,000,000	5 Years	Failed
November 2, 2004	Bond Issuance	18,000,000	5 Years	Failed
November 7, 2004	Bond Issuance	18,000,000	5 Years	Failed
May 8, 2007	Bond Issuance	18,000,000	5 Years	Failed
November 4, 2008	Emergency (Renewal)	1,200,000	5 Years	Failed
February 3, 2009	Emergency (Renewal)	1,200,000	5 Years	Passed

Note 12 – Financial Planning and Supervision Commission

On February 11, 2010, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Columbiana County Auditor. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan.

The financial recovery plan was adopted on June 22, 2010 and under State law is to be updated annually. The recovery plan included the reduction of 10 full time employees from the general fund for fiscal year 2011. In addition, the plan included reductions in extended service days, an administrative and classified employee salary freeze, a reduction of one bus driver and eliminated the food service supervisor position. The recovery plan, does not address periods beyond fiscal year 2011.

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Note 13 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2010, covered fiscal years 2011 through 2015 and assumes the continued operation of the School District with a small decrease in revenues until fiscal year 2015, when a slight increase is expected. The plan assumes staff changes for fiscal years 2011 through 2015. At that time, the School District anticipated an operating surplus of \$156,000 for fiscal year 2011 and an accumulated operating deficit of \$3,279,000 by the end of fiscal year 2015. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2011 and will cover fiscal years 2011 through 2015.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



Dave Yost • 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
MARCH 24, 2011**