



Dave Yost • Auditor of State

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

Fiscal Emergency Termination

Local Government Services Section

**Beaver Local School District
Columbiana County**

Fiscal Emergency Termination

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Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Beaver Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Beaver Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Beaver Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Beaver Local School District Financial Planning and Supervision Commission and its role in the operation of the Beaver Local School District is terminated as of February 21, 2012.

Accordingly, this report is hereby submitted to the Beaver Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Nancy Milliken, Columbiana County Auditor, and Stan W. Heffner, State Superintendent of Public Instruction.

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

DAVE YOST
Auditor of State

February 21, 2012

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Beaver Local School District – Columbiana County

Report on Termination of the Beaver Local School District Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Beaver Local School District (the Commission), Columbiana County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective April 24, 2009, the Department of Education declared the Beaver Local School District, Columbiana County, to be in a state of Fiscal Caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal year ending June 30, 2009.

The Auditor of State declared the Beaver Local School District in fiscal watch on September 10, 2009. This declaration was based upon a determination by the Department of Education that the School District failed to submit a written proposal for eliminating the anticipated deficits that prompted the declaration of fiscal caution and for preventing the School District from experiencing further fiscal difficulties. Upon reviewing the Beaver Local School District's five-year forecast filed with the Department of Education on May 12, 2009, which included deficits for the fiscal years ending June 30, 2009 and 2010, the Auditor of State found the Department of Education's request that the Beaver Local School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the declaration of fiscal watch is required to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Beaver Local School District Board of Education passed a resolution on September 8, 2009, stating their inability to develop a fiscal watch recovery plan acceptable to the Superintendent of Public Instruction. Accordingly, the Auditor of State declared the School District to be in a state of Fiscal Emergency under Section 3316.03 (B) (2) of the Ohio Revised Code on February 11, 2010. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

Beaver Local School District – Columbiana County

**Report on Termination of the Beaver Local School District
Financial Planning and Supervision Commission**

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 - Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Beaver Local School District and issued a Report on Accounting Methods, dated November 22, 2011. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The School District should update its policy manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. The policies should also require the Treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.

Implemented:

The Board has updated its policy manual regarding the budgetary process to address compliance with Ohio Budgetary Law and the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. The policy requires the Treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board. The School District passed a resolution which set the legal level of control for appropriations.

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**Report on Termination of the Beaver Local School District
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Auditor of State Comment from Report on Accounting Methods:

- Appropriations are posted in the system prior to receiving the certificate from the county auditor indicating that appropriations are within estimated resources. Appropriations should be posted in the system when they become effective which is upon receipt from the county auditor of the certificate indicating that appropriations are within estimated resources.

Implemented:

The School District enters appropriations into the accounting system when they become effective upon receiving the certificate from the county auditor that appropriations are within estimated resources.

Auditor of State Comment from Report on Accounting Methods:

- The appropriations in the accounting system do not agree with the most current supporting documents. The Treasurer should enter all appropriations in the system and compare budgeted amounts in the accounting system to the current appropriation measures as passed by the Board of Education to ensure that recorded amounts are accurate.

Implemented:

Appropriation amounts in the accounting system match the amounts on the latest appropriation amendment passed by the Board of Education.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- Cafeteria receipts are posted in a monthly lump sum amount on the last day of each month. Cafeteria receipts should be posted at least on a weekly basis.

Implemented:

Cafeteria receipts are now posted on a weekly basis.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District does not perform a search of the United States Department of State's terrorist exclusion list website. The School District should perform a search of the United States Department of State's terrorist exclusion list website (<http://www.state.gov/s/ct/rls/other/des/123086.htm#>) and keep a printed copy of the results of the search on file as proof of verification of vendors.

Implemented:

The School District is conducting the search and printing the search results and keeping them as documentation.

Beaver Local School District – Columbiana County

**Report on Termination of the Beaver Local School District
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Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the board of education. The Treasurer continues to issue blanket certificates under the old statutory restriction of 90 days and \$5,000. The board of education should adopt a resolution that identifies the maximum dollar amount for blanket certifications/purchase orders.

Implemented:

The Board of Education approved a policy authorizing the Treasurer to issue blanket purchase orders up to \$5,000.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurers' office.

Implemented:

The Board of Education approved a policy documenting the cash disbursement procedures for staff positions and their functions. The policy also addresses discrepancies for partial receipts and purchase order differences.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The Board policy does not state a capitalization threshold for capital assets. The School District should review and update their capitalization threshold. The Board should approve changes in capitalization thresholds by resolution. The School District should set the capitalization threshold at a level that accounts for the majority of capital assets.

Implemented:

The Board of Education has since adopted a capitalization threshold of \$1,000 and has updated its policy to include this information.

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**Report on Termination of the Beaver Local School District
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Auditor of State Comment from Report on Accounting Methods:

- The capital assets policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value.

Implemented:

The Board of Education has since adopted a capital asset policy meeting these requirements.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements for the fiscal year ended June 30, 2011, on January 24, 2012. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The management letter disclosed no instances of non-compliance with State laws and regulations relating to the audit for fiscal year 2011.

Section 2 - Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.

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Report on Termination of the Beaver Local School District Financial Planning and Supervision Commission

4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated June 22, 2010). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.
3. The School District will review and follow its purchasing procedures and ensure that each transaction is properly authorized, documented and recorded.

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Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures;
2. Monitored personnel levels;
3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education; and
4. Monitored purchasing.

Section 4 - Five-Year Forecast

The Auditor of State examined the School District’s financial forecast for the fiscal years ending June 30, 2012 through 2016, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District’s five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2016. The Auditor of State, in a report dated January 20, 2012, rendered a “nonadverse” opinion on the financial forecast.

Section 5 - Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Beaver Local School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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Report on Termination of the Beaver Local School District
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APPENDIX A

Beaver Local School District
Columbiana County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2012 through June 30, 2016

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Beaver Local School District – Columbiana County

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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 years ending June 30, 2012 through 2016. 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 statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2009, 2010, 2011 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

January 20, 2012

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Beaver Local School District

Columbiana County

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 Through 2011 Actual;
For the Fiscal Years Ending June 30, 2012 Through 2016 Forecasted
General Fund

	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual
Revenues			
General Property Tax	\$5,484,000	\$5,398,000	\$5,563,000
Tangible Personal Property Tax	114,000	25,000	10,000
Unrestricted Grants-in-Aid	9,688,000	9,281,000	9,299,000
Restricted Grants-in-Aid	85,000	27,000	12,000
Restricted Federal Grants-in-Aid-SFSF	0	625,000	795,000
Property Tax Allocation	937,000	1,120,000	1,092,000
All Other Revenues	1,657,000	1,609,000	1,698,000
<i>Total Revenues</i>	<u>17,965,000</u>	<u>18,085,000</u>	<u>18,469,000</u>
Other Financing Sources			
Proceeds from Sale of Notes	1,000,000	2,600,000	0
Solvency Assistance Advance	0	889,000	0
Transfers In	7,000	0	1,000
Advances In	0	0	5,000
<i>Total Other Financing Sources</i>	<u>1,007,000</u>	<u>3,489,000</u>	<u>6,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>18,972,000</u>	<u>21,574,000</u>	<u>18,475,000</u>
Expenditures			
Personal Services	9,565,000	9,307,000	8,966,000
Employees' Retirement/Insurance Benefits	3,615,000	4,025,000	3,717,000
Purchased Services	3,628,000	3,779,000	3,936,000
Supplies and Materials	673,000	611,000	607,000
Capital Outlay	236,000	170,000	194,000
Debt Service:			
Principal-Tax Anticipation Note	1,000,000	2,600,000	0
Principal-Solvency Assistance Advance	0	0	445,000
Principal-OWDA	13,000	13,000	13,000
Interest	23,000	41,000	3,000
Other Objects	320,000	333,000	314,000
<i>Total Expenditures</i>	<u>19,073,000</u>	<u>20,879,000</u>	<u>18,195,000</u>
Other Financing Uses			
Transfers Out	0	228,000	17,000
Advances Out	0	5,000	0
All Other Financing Uses	0	0	99,000
<i>Total Other Financing Uses</i>	<u>0</u>	<u>233,000</u>	<u>116,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>19,073,000</u>	<u>21,112,000</u>	<u>18,311,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(101,000)</u>	<u>462,000</u>	<u>164,000</u>
Cash Balance July 1	<u>76,000</u>	<u>(25,000)</u>	<u>437,000</u>
Cash Balance June 30	<u>(25,000)</u>	<u>437,000</u>	<u>601,000</u>
Encumbrances and Reserves of Fund Balance			
Actual/Estimated Encumbrances June 30	0	0	0
Reserves for:			
Bus Purchases	86,000	19,000	0
Total Encumbrances and Reserves of Fund Balance	<u>86,000</u>	<u>19,000</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(111,000)</u>	<u>418,000</u>	<u>601,000</u>
Revenue from Renewal Levies			
Property Tax - Renewal	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30 with Renewal Levies	<u>(\$111,000)</u>	<u>\$418,000</u>	<u>\$601,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

Fiscal Year 2012 Forecasted	Fiscal Year 2013 Forecasted	Fiscal Year 2014 Forecasted	Fiscal Year 2015 Forecasted	Fiscal Year 2016 Forecasted
\$5,590,000	\$5,640,000	\$5,688,000	\$5,738,000	\$5,154,000
2,000	0	0	0	0
9,783,000	9,783,000	9,783,000	9,783,000	9,783,000
15,000	15,000	15,000	15,000	15,000
542,000	0	0	0	0
852,000	852,000	855,000	860,000	795,000
1,588,000	1,613,000	1,641,000	1,670,000	1,699,000
18,372,000	17,903,000	17,982,000	18,066,000	17,446,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
18,372,000	17,903,000	17,982,000	18,066,000	17,446,000
9,009,000	9,034,000	8,916,000	8,912,000	8,901,000
3,298,000	3,379,000	3,602,000	3,652,000	3,754,000
3,945,000	3,971,000	3,997,000	4,026,000	4,055,000
618,000	631,000	643,000	656,000	669,000
161,000	214,000	267,000	322,000	242,000
0	0	0	0	0
444,000	0	0	0	0
13,000	14,000	14,000	14,000	14,000
3,000	2,000	2,000	2,000	2,000
337,000	337,000	337,000	337,000	337,000
17,828,000	17,582,000	17,778,000	17,921,000	17,974,000
0	0	0	40,000	40,000
0	0	0	0	0
0	0	0	0	0
0	0	0	40,000	40,000
17,828,000	17,582,000	17,778,000	17,961,000	18,014,000
544,000	321,000	204,000	105,000	(568,000)
601,000	1,145,000	1,466,000	1,670,000	1,775,000
1,145,000	1,466,000	1,670,000	1,775,000	1,207,000
33,000	33,000	33,000	33,000	33,000
0	0	0	0	0
33,000	33,000	33,000	33,000	33,000
1,112,000	1,433,000	1,637,000	1,742,000	1,174,000
0	0	0	0	703,000
1,112,000	1,433,000	1,637,000	1,742,000	1,877,000

Beaver Local School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

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 83 classified and 139 certificated personnel to provide services to approximately 2,064 students and other community members.

On February 11, 2010, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(2) by the Auditor of State. The declaration was 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 County Auditor of Columbiana County. 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 be in accordance with the plan.

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 January 20, 2012, 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 the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance and the school district fiscal stabilization funds and general fund supported debt are included in the general fund.

Beaver Local School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

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.

Fund Accounting

The School District maintains its accounting records 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 and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

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 are used to 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 on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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 fiscal 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 fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

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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 and anticipated school calendars 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. 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 fiscal officer 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.

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 2012 (the collection year) for real and public utility property taxes represents collections of 2011 taxes (the tax year). Property tax payments received during calendar year 2012 for tangible personal property (other than public utility property) are for delinquent 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 the next fiscal year 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 years 2012 through 2016.

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The property tax revenues for the general fund are generated from several levies. The current 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	18.50
Continuing Operating	1980	n/a	n/a	2.50
Emergency (\$1,200,000)	2009	2010	2014	5.30
Total Tax Rate				<u>\$30.90</u>

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). 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 \$25.43 per \$1,000 of assessed valuation for collection year 2012, and the effective commercial and industrial real property tax rate is \$25.30 per \$1,000 of assessed valuation for collection year 2012.

Public utility personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in businesses was taxed in calendar years prior to 2011. No tangible personal property taxes have been levied or collected after calendar year 2010. 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 \$27,000 in fiscal year 2012 from the prior fiscal year due to a slight increase in assessed values in Columbiana County. This revenue is expected to increase in fiscal years 2013 through 2015 due to new construction. Fiscal year 2016 is expected to decrease due to the expiration of the emergency levy. Property tax revenue from the anticipated renewal of the emergency levy is presented at the bottom of the forecast financial statement.

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Unrestricted and Restricted Grants-in-Aid

In fiscal year 2009, the State's foundation program, established by Chapter 3317 of the Ohio Revised Code, 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 provided to address certain policy issues or to correct flaws in formula aid, were also included in this revenue. The semi-monthly 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 times the School District's taxable property valuation. The per pupil foundation level was set by State Legislature. 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.

The per pupil amount for fiscal year 2009 is \$5,783 consisting of \$5,732 of per pupil foundation level and \$51 of added building blocks.

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 linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated 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 was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were 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 were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2010 and 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated 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 were phased in over a five year period. In addition, school districts were guaranteed 99 and 98 percent, respectively, for 2010 and 2011 of the total amount received from the 2009 fiscal year's State Foundation aid.

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

Beginning in fiscal year 2012, the administration of Governor John Kasich has proposed a move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal

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year 2012 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2012 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing districts. For fiscal year 2012, the Beaver Local School District estimates \$9,783,000 in adequacy funding. This level is forecasted for fiscal years 2013 through 2016, as well.

Restricted Grants-in-Aid

In fiscal year 2009, restricted grants-in-aid consisted of career technologies, bus purchase, parity aid, a high school senior to college sophomore grant and poverty based aid monies. In fiscal years 2010 and 2011, the only restricted grants-in-aid were for career technologies and the high school senior to college sophomore grant. For fiscal years 2012 through 2016, the School District expects to receive \$9,000 in career technologies monies and \$6,000 for the high school senior to college sophomore grant.

Restricted Federal Grants-in-Aid

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. 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 was distributed to school districts as part of the foundation settlement payments twice a month. These funds had limited restrictions on their use. Beaver Local School District received \$795,000 for fiscal year 2011, which was used for payment of teacher salaries, supplies and equipment purchases and electric payments. SFSF has not been reauthorized by the Federal government.

In 2010, Congress passed and the President has signed legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds have limited restrictions on their use. The Beaver Local School District, based on estimates provided by the Department of Education anticipates \$542,000 in fiscal year 2012. The School District has chosen to use these funds in fiscal year 2012 for salaries and benefits for teachers.

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. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue is forecast to increase in fiscal year 2012 and again in fiscal years 2014 and 2015 due to the anticipated increase in assessed valuation caused by new construction. Fiscal year 2016 is forecast to decrease due to the expiration of the emergency levy.

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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 was 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 is 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. The State biennium budget for 2012/2013 calls for accelerating the scheduled phase-out of tangible personal property tax loss reimbursement payments. The test for whether a school district continues to get a reimbursement is whether a school district's reimbursement exceeds 2 percent of total resources. If it does not exceed 2 percent, all payments end. The Beaver Local School District did not exceed 2 percent and payments have stopped starting with fiscal year 2012.

All Other Revenues

All other revenues include tuition, transportation, interest, rental income, student class fees, E-rate reimbursements and other revenue.

The increase in tuition revenue is due to an increase in the expected per pupil amount received each year. Tuition includes open enrollment, preschool, regular day school for court order students, summer school and special education.

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 stay in line with the prior fiscal years despite the School District projecting larger cash balances.

Student class fees are expected to remain steady with the prior fiscal year at \$24,000 for the duration of the forecasted period.

Rental and e-rate income are expected to remain consistent throughout the forecasted period.

The Medicaid School Program (MSP) began July 1, 2009. This program is a collaborative effort between the Ohio Department of Job and Family Services as the state Medicaid agency and the Ohio Department of Education as the agency responsible for assuring that the Individuals with Disabilities Education Act is implemented by Schools. This program allows for the School District to recover part of the cost of delivering health related services to eligible special needs students.

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All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Tuition and Open Enrollment	\$1,445,000	\$1,471,000	\$1,499,000	\$1,528,000	\$1,557,000
Transportation	30,000	30,000	30,000	30,000	30,000
Interest on Investments	1,000	1,000	1,000	1,000	1,000
Rentals	12,000	12,000	12,000	12,000	12,000
Student Class Fees	24,000	24,000	24,000	24,000	24,000
Medicaid School Program	51,000	51,000	51,000	51,000	51,000
E-Rate	11,000	11,000	11,000	11,000	11,000
Other Revenue	14,000	13,000	13,000	13,000	13,000
Totals	<u>\$1,588,000</u>	<u>\$1,613,000</u>	<u>\$1,641,000</u>	<u>\$1,670,000</u>	<u>\$1,699,000</u>

Other Financing Sources

In prior years, the general fund was repaid advances made to grant funds. The general fund advanced money to the grant funds to prevent them from ending the year with a deficit balance. For the forecast period, the School District does not anticipate needing to advance any monies to cover deficit funds. In fiscal years 2009 and 2010, the School District issued current revenue notes to help fund general operations. This is not anticipated to be necessary for the forecast period.

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 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, including the superintendent and treasurer, are set by an administrative agreement.

Staffing levels for the last three fiscal years and the current fiscal year are displayed in the chart below. The amounts represent full time equivalents. Staffing levels are anticipated to remain consistent with fiscal year 2012 for the forecasted period.

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	2009	2010	2011	2012
<i>General Fund:</i>				
Certified	146	135	125	128
Classified	69	65	64	64
Total General Fund:	215	200	189	192
<i>Other Funds:</i>				
Certified	8	18	17	11
Classified	20	20	19	19
Total Other Funds:	28	38	36	30
Totals	243	238	225	222

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, 2011 through August 31, 2012, and allows for step increases ranging from 0 to 4 percent. Certified salaries are forecasted to decrease due to the replacement of 9 positions with entry level staff. This decrease was partially offset by the net addition of 3 employees being paid from the general fund due to the School District no longer receiving additional ARRA grant monies. The School District anticipates employees to leave once they reach 35 years of service and to be replaced with an entry level position. There are 15 teachers that will reach 35 years of service in the next 5 years. This causes the fluctuations in the certified salaries.

Classified salaries are based on a negotiated contract which includes base and step increases. The contracts covers the period July 1, 2011 to June 30, 2012. The contracts allow for a \$0.10 per hour wage increase and step increases ranging from 0 to 2 percent. Classified salaries are forecasted to increase due to the hourly wage increase and step increases. The School District anticipates employees to leave once they reach 35 years of service and to be replaced with an entry level position. This is anticipated to begin in fiscal year 2013 and causes the fluctuations in the classified salaries.

The School District does not anticipate any base negotiated salary increases for the duration of the forecast. Should the School District negotiate an increase with the unions, each one percent increase will result in an average annual increase of approximately \$82,000 for salary increases to both certified and classified employees combined. The fund balance will also be affected by the increase in related benefits, approximately \$14,000 annually, as a result of increases to salaries, consisting of pension, medicare and workers compensation. Step increases ranging from 0 to 4 percent will be in place for certified and classified employees.

Substitutes are expected to increase in fiscal year 2012 due to the prior fiscal year being unusually low. In fiscal years 2013 through 2016, substitute salaries for certified and classified staff are expected to remain consistent with the amounts forecasted for fiscal year 2012.

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 90 days plus the addition of 7 or 15 bonus days if the employee uses equal to or less than the average of 10 or 5 sick days per year in the final three years of service. Certified severance is payable over two years. Payments to classified employees retiring from the School District are equal to one fourth of their unused sick leave not to exceed 100 days paid. Severance costs are anticipated to increase in fiscal year 2012 due to more employees receiving a severance payment, but

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fiscal years 2013 through 2016 are forecasted based on historical information and on the anticipation of staff leaving once they reach 35 years of service.

Supplemental salaries and other salaries are expected to remain consistent throughout the forecasted period.

Presented below is a comparison of salaries and wages for fiscal years 2012 through 2016.

	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Certified Salaries	\$6,630,000	\$6,776,000	\$6,832,000	\$6,745,000	\$6,716,000
Classified Salaries	1,462,000	1,438,000	1,444,000	1,441,000	1,446,000
Substitute Salaries	313,000	313,000	313,000	313,000	313,000
Supplemental Salaries	224,000	224,000	224,000	224,000	224,000
Severance Pay	353,000	256,000	76,000	161,000	174,000
Other Salaries and Wages	27,000	27,000	27,000	28,000	28,000
Totals	<u>\$9,009,000</u>	<u>\$9,034,000</u>	<u>\$8,916,000</u>	<u>\$8,912,000</u>	<u>\$8,901,000</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 healthcare benefits for employees earnings less than a minimum salary amount. STRS and SERS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year for STRS and the next fiscal year for SERS. Retirement costs are anticipated to fluctuate based upon the anticipated changes from both step increases and the replacement of staff reaching 35 years of service with entry level personnel. In addition, the School District pays the employee retirement contributions for its treasurer.

In years past, SERS has been paid six months in arrears by 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 and has a total arrearage liability of \$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. In May 2011, the School District changed healthcare carriers from Anthem to Ohio School Benefits Cooperative. Due to the change in healthcare carriers the School District achieved a reduction in rates. In October 2011, new premium rates became effective through August 2012. The monthly payments, per individual, for health care, vision and dental benefits are as follows:

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<u>Coverage:</u>	<u>Effective September 1, 2009</u>	<u>Effective September 1, 2010</u>	<u>Effective May 1, 2011</u>	<u>Effective October 1, 2011</u>
Family	\$1,271.90	\$1,360.87	\$1,212.22	\$1,122.00
Single	506.87	542.67	518.53	483.56

The health care program includes medical/surgical, vision and dental care. Rates are based on recommended amounts from the School District's third party administrator. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. Due to a decrease in premium rates, health insurance costs are expected to decrease in fiscal year 2012. The School District is anticipating a 5 percent annual increase in health insurance for fiscal years 2013 through 2016. Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program. The School District is anticipating a 5 percent annual increase in life insurance for fiscal years 2013 through 2016. The employees now pay 1 to 2 percent of their healthcare based upon their starting date of employment.

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 one payment in May. The premium for calendar year 2011, due in May 2012, is anticipated to be lower than fiscal year 2011. The workers compensation premium for fiscal year 2012 is lower than fiscal year 2011 due to a lower workers' compensation rate, going from 1.1947 percent to 0.8863 percent. Workers' compensation expenditures are expected to remain consistent in fiscal years 2013 through 2016 due to fairly stable salaries for those forecasted fiscal years.

Medicare is based on a percentage of wages for all employees hired after April 1, 1986. It is estimated to increase in fiscal years 2012 through 2016, based on an expected increase in the number of employees required to pay into Medicare resulting from the hiring of new employees to replace those that were hired prior to April 1, 1986.

For fiscal years 2012 through 2016, other benefits include tuition reimbursement, uniform cleaning and other insurance. This line item is anticipated to decrease in fiscal year 2013 due to fewer estimated unemployment claims. Other benefits are expected to remain relatively consistent in fiscal years 2013 through 2016.

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Presented below is a comparison of benefits fiscal years 2012 through 2016.

	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Employer's Retirement	\$1,226,000	\$1,219,000	\$1,340,000	\$1,285,000	\$1,278,000
Health Care/Life Insurance	1,862,000	1,955,000	2,053,000	2,155,000	2,263,000
Workers' Compensation	79,000	77,000	78,000	78,000	77,000
Medicare	100,000	102,000	105,000	107,000	109,000
Other Benefits	31,000	26,000	26,000	27,000	27,000
Total	<u>\$3,298,000</u>	<u>\$3,379,000</u>	<u>\$3,602,000</u>	<u>\$3,652,000</u>	<u>\$3,754,000</u>

Purchased Services

Presented below is a comparison of purchased services for fiscal years 2012 through 2016.

	Forecast				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Professional and Technical Services	\$848,000	\$874,000	\$900,000	\$928,000	\$955,000
Property Services	304,000	295,000	287,000	279,000	272,000
Travel and Meeting Expenses	20,000	20,000	20,000	20,000	20,000
Communication Costs	40,000	41,000	41,000	41,000	42,000
Utility Services	404,000	412,000	420,000	429,000	437,000
Tuition and Other Similar Payments	2,243,000	2,243,000	2,243,000	2,243,000	2,243,000
Other Purchased Services	86,000	86,000	86,000	86,000	86,000
Totals	<u>\$3,945,000</u>	<u>\$3,971,000</u>	<u>\$3,997,000</u>	<u>\$4,026,000</u>	<u>\$4,055,000</u>

Professional and technical services are anticipated to increase through fiscal year 2016 due to rising costs of goods and services. Property services are expected to decrease for the entire forecast period due to reduced expenditures for fleet repair and maintenance expected with the purchase of five new buses to replace the older ones in fiscal year 2011. Utility services are showing gradual increases due to an increase in consumption and the increased cost to purchase gas, oil, water and electricity. Tuition and other similar payments are expected to remain consistent throughout the entire forecast period.

Beaver Local School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Supplies and Materials

Presented below is a comparison of supplies and materials for fiscal years 2012 through 2016.

	Forecast				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
General Supplies, Library Books and Periodicals	\$201,000	\$205,000	\$209,000	\$213,000	\$217,000
Operations, Maintenance and Repair	391,000	400,000	408,000	417,000	426,000
Textbooks	26,000	26,000	26,000	26,000	26,000
Totals	<u>\$618,000</u>	<u>\$631,000</u>	<u>\$643,000</u>	<u>\$656,000</u>	<u>\$669,000</u>

General supplies, library books and periodicals are forecasted to increase each year due to the School District needing to replace outdated materials as the financial situation improves. Operations, maintenance and repair of facilities are anticipated to increase due to the School District continuing to pay for repairs and additional maintenance on the school facilities. The amount spent on textbooks is expected to remain at the fiscal year 2012 level for the entire forecast period. This is due to the School District's need to replace out-dated textbooks that were continued to be used due to the financial condition of the School District.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Fiscal year 2012 capital outlay costs are expected to decrease due to fewer equipment purchases. In fiscal years 2013 through 2015, the School District is forecasting increases in equipment expenditures, which is mainly related to computer and bus purchases. The School District is paying on a bus purchase lease through fiscal year 2015, at which time the lease is paid off and the buses are owned by the School District. The amount forecasted for fiscal year 2016 decreases due to the payoff of the school bus lease.

Debt Service

The School District 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 \$16,000 in principal and interest on this debt during fiscal years 2012-2016. The School District also received \$889,000 in a state solvency advance during fiscal year 2010. The School District paid \$444,500 in fiscal year 2011. The School District will pay \$444,500 in principal on this advance during fiscal year 2012.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$337,000, for fiscal years 2012 through 2016, which is higher than the prior fiscal year primarily due to projected higher county board expenditures related to curriculum and instruction, instructional technology services, and student services. County auditor and treasurer fees and election expenses are also forecasted to be higher.

Beaver Local School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Transfers and Advances Out

For fiscal years 2015-2016 of the forecast period, \$40,000 in transfers is anticipated to be made to the food service fund to cover deficits at fiscal year-end. In fiscal years 2010 and 2011, transfers were made to the food service fund, permanent improvement fund, uniform school supplies fund, EMIS fund and a couple public school support funds. The School District does not anticipate having to advance monies for the forecast period.

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. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal years ending 2012 through 2016 are expected to be \$33,000.

Note 9 - Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for capital improvements and repairs. 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.

The set-aside amount is approximately \$312,000 each fiscal year. Annual qualified expenditures and offsets are expected to exceed the required set-aside amount in each fiscal year; therefore, no reserve amount is anticipated for the forecast period.

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.

Beaver Local School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Note 11 - Levies

Since 2001, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
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
Februray 3, 2009	Emergency (Renewal)	1,200,000	5 Years	Passed

Note 12 - Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes.

The School District uses the food service fund to account for the charges for services and operating grants restricted to the food service operations of the School District. This fund is forecasted to generate adequate revenue to maintain operations through fiscal year 2014 of the forecast period after which the general fund is forecast to make transfers to that fund.

All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Beaver Local School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

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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
FEBRUARY 21, 2012**