



**Auditor of State  
Betty Montgomery**



**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Beaver Local School District, Columbiana County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Beaver Local School District, Columbiana County, Ohio, as of June 30, 2004, and the respective changes in financial position, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

**Betty Montgomery**  
Auditor of State

February 10, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

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The discussion and analysis of Beaver Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for 2004 are as follows:

- General revenues accounted for \$14,692,449 in revenues or 83.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,916,883 or 16.56% of total revenues of \$17,609,332.
- The District has \$18,629,179 in expenses related to governmental activities; only \$2,916,883 of these expenses was offset by program specific charges for services, grants or contributions. General revenue supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,692,449 were not adequate to provide for these programs.
- The District's only major governmental fund is the General Fund. This fund had \$16,595,438 in revenues and other financing sources and \$16,883,384 in expenditures and other financing uses.

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

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

*The Statement of Net Assets* and *Statement of Activities* provide information about the whole District, presenting both aggregate view of District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. The District has one major governmental fund: the General Fund.

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

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

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2004?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

In the Statement of Net Assets and the Statement of Activities, the District's activities are considered to be all governmental activities:

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

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

#### ***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District has one major governmental fund: the General Fund.

#### ***Governmental Funds***

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

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

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2003.

**TABLE 1  
Net Assets**

	Governmental Activities	
	2004	2003
<b><u>Assets</u></b>		
Current assets	\$6,950,272	\$6,581,065
Capital assets	3,529,442	3,347,579
	10,479,714	9,928,644
<b><u>Liabilities</u></b>		
Current liabilities	6,763,398	5,479,176
Long-term liabilities	2,218,749	1,932,054
	8,982,147	7,411,230
<b><u>Net Assets</u></b>		
Invested in capital assets, net of debt	3,151,696	3,153,950
Restricted	269,516	596,581
Unrestricted (deficit)	(1,923,645)	(1,233,117)
	\$1,497,567	\$2,517,414

Table 2 on the next page shows the changes in net assets for fiscal year 2004 compared to 2003.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**TABLE 2  
Change in Net Assets For Governmental Activities**

	2004	2003
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for services and sales	\$1,863,889	\$2,027,419
Operating grants and contributions	1,052,994	1,302,799
General Revenues:		
Grants and Entitlements not Restricted to Specific Programs	9,996,315	9,403,801
Property taxes	4,652,436	4,052,596
Investment earnings	11,922	16,103
Other	31,776	60,385
Total revenues	<u>17,609,332</u>	<u>16,863,103</u>
<b><u>Expenses</u></b>		
Program Expenses:		
Instruction:		
Regular	9,543,261	8,616,031
Special	1,599,222	1,457,094
Vocational	6,590	5,141
Adult/Continuing	17,575	18,913
Other	19,911	28,836
Support Services:		
Pupil	511,629	482,431
Instructional Staff	586,809	458,701
Board of Education	75,229	40,469
Administration	1,609,677	1,571,628
Fiscal	378,947	358,697
Operation and maintenance	1,602,532	1,166,113
Pupil transportation	1,337,088	1,056,799
Operation of Non-Instructional Services	868,026	776,857
Extracurricular activities	467,644	561,810
Capital Outlay	0	45,620
Interest and fiscal charges	5,039	6,465
Total expenses	<u>18,629,179</u>	<u>16,651,605</u>
Change in net assets before special items	(1,019,847)	211,498
<b><u>Special Item</u></b>		
Proceeds from Sale of Fixed Assets	0	12,556
Change in net assets	<u>(\$1,019,847)</u>	<u>\$224,054</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Governmental Activities**

Net assets of the District's governmental activities decreased by \$1,019,847. Total governmental expenses of \$18,629,179 were offset by program revenues of \$2,916,883 and general revenues of \$14,692,449. Program revenues supported 15.66% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 83.2% of total governmental revenue. Real estate property is reappraised every six years. Although recent growth has had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. However, H.B.920 provided a "safety net" for schools by prohibiting the effective millage from reducing past 20 mills. Due to the annual reductions, the District's millage has been reduced to 20 mills, and the District is able to collect inflationary growth on the 20 mills. This affords the District the opportunity to offset inflation on the expense side without asking the voters every three to five years for additional operating millage.

Voters approved the last Emergency Levy renewal in March, 2004. This levy, which generates approximately \$1.2 million per year for a five year period of time, is expected to provide adequate revenue for general operating expenses through the calendar year 2009, with no other local operating tax revenue increases being necessary.

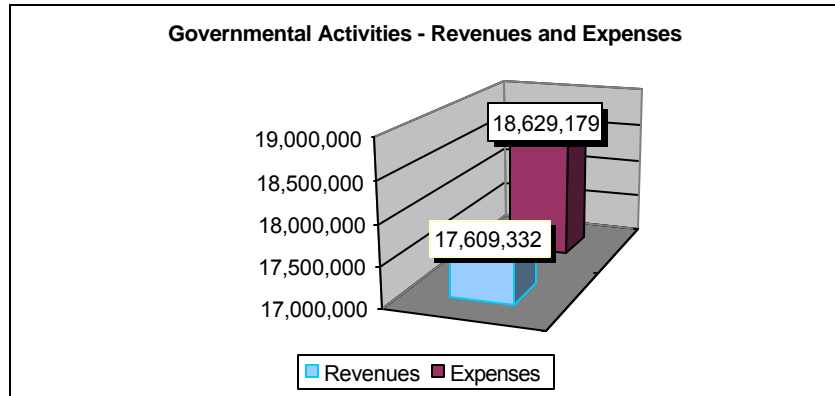
In addition, higher than normal increases in State revenues is one of the reasons that the District has managed to go this long without any new local tax increases for operating.

The District's financial condition has improved significantly in recent years, primarily due to increased financial support from the State. Basic State support has increased annually by 2.2% over the last two years, and is expected to grow by only 2.2% in the 2004/05 fiscal year. The District is projecting annual growth in State support of 2.2% for 2006 and beyond. In addition, State revenue has contributed to the District \$492,204 and \$759,046 in parity aid for fiscal year 2003 and 2004, respectively, which was restricted for new initiatives and enhancements. In the spring of 2003, the State legislature removed the restrictions on Parity Aid. The District has continued the practice of financing new initiatives, such as full-day, everyday kindergarten programs at its elementary buildings.

The graph on the next page, below presents the District's governmental activities revenues and expenses to fiscal year 2004:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

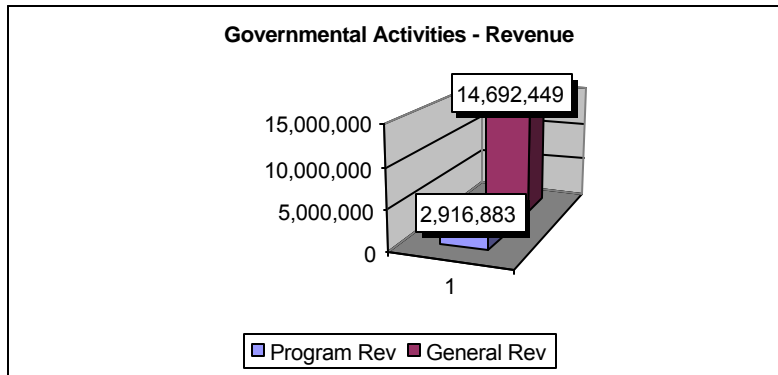
	<b>Governmental Activities</b>			
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program Expenses:				
Instruction:				
Regular	9,543,261	(8,629,924)	\$8,616,031	(7,580,762)
Special	1,599,222	(1,277,191)	1,457,094	(1,022,040)
Vocational	6,590	(6,271)	5,141	(4,945)
Adult/Continuing	17,575	(16,300)	18,913	(17,032)
Other	19,911	(18,466)	28,836	(25,968)
Support Services:				
Pupil	511,629	(428,724)	482,431	(381,619)
Instructional staff	586,809	(488,777)	458,701	(336,597)
Board of education	75,229	(69,770)	40,469	(36,444)
Administration	1,609,677	(1,430,197)	1,571,628	(1,243,336)
Fiscal	378,947	(351,484)	358,697	(323,319)
Operations and maintenance	1,602,532	(1,460,410)	1,166,113	(1,017,907)
Pupil transportation	1,337,088	(1,216,458)	1,056,799	(905,043)
Operation of Non-Instructional Services	868,026	(143,868)	776,857	(87,039)
Extracurricular activities	467,644	(169,417)	561,810	(291,788)
Capital Outlay			45,620	(41,083)
Interest and fiscal charges	5,039	(5,039)	6,465	(6,465)
<b>Total expenses</b>	<u>18,629,179</u>	<u>(15,712,296)</u>	<u>16,651,605</u>	<u>(13,321,387)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The dependence upon state revenues and taxes for governmental activities is apparent, 26.85% of instruction activities are supported through other general/state revenues, for all governmental activities general revenue support is 17.67%. The State of Ohio, as a whole, is by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of (\$322,987), which is below last year's total of \$188,584. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2004.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase/ Decrease
General	(\$541,533)	(\$253,587)	(\$287,946)
Other Governmental	218,546	442,171	(223,625)
<b>Total</b>	<b>(\$322,987)</b>	<b>\$188,584</b>	<b>(\$511,571)</b>

**General Fund**

The District's general fund balance decreased by (\$287,946). The decrease can be attributed primarily to the overall increase in salaries, wages and fringe benefits. In addition, in fiscal year 2004, the general fund subsidized other funds of the District with operating transfers of \$227,608. Note 17 to the basic financial statements details the funds which receiving the operating transfers from the general fund. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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	2004 Amount	2003 Amount	Percentage Change
<b><u>Revenues</u></b>			
Taxes	\$4,953,373	\$4,523,029	9.51
Earnings on investments	11,791	15,915	(25.91)
Intergovernmental	9,996,315	9,403,801	6.30
Other revenues	1,226,952	1,459,376	(15.93)
 Total	 \$16,188,431	 \$15,402,121	 5.11
 <b><u>Expenditures</u></b>			
Instruction	\$10,561,964	\$9,451,756	(11.75)
Support services	5,654,847	4,834,030	(16.98)
Extracurricular activities	313,440	292,561	(7.14)
Capital Outlay	125,525	45,620	(175.15)
 Total	 \$16,655,776	 \$14,623,967	 (211.02)

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$16,180,383, above original budget estimates of \$16,843,432. The decrease of \$663,049 was insignificant.

General fund original appropriations of \$17,306,749 were decreased approximately 4.24% in the final budget. The decrease can be attributed to an overall decrease in transfers out. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$16,572,932, which was equal to the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2004, the District had \$10,102,835 invested in land, land improvements, building and improvements, furniture and equipment, and vehicles. All of this total, was reported in governmental activities. The June 30, 2003 balances in fixed assets have been restated due to a change in the District's capitalization criteria from \$500 to \$1,000 in the governmental fixed assets and for errors and omissions previously reported in governmental activities fixed assets. See Note 9 to the basic financial statements. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30**

	Governmental Activities	
	2004	2003
Land	\$601,710	\$374,490
Land Improvements	1,053,905	1,053,905
Building/improvements	5,165,185	4,974,752
Furniture/equipment	1,915,921	1,948,902
Vehicles	1,366,114	1,467,247
Totals	\$10,102,835	\$9,819,296

*Debt Administration*

At June 30, 2004, the District had \$281,014 in general obligation loans outstanding. Of this total, \$27,841 is due within one year and \$253,173 is due within greater than one year. The following table summarizes the loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2004	Governmental Activities 2003
	Asbestos Removal Loan	\$27,985
OWDA Loan	244,213	255,720
Note Payable	8,816	11,300
Total	\$281,014	\$307,353

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

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

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

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

At June 30, 2004, the District's overall legal debt margin was \$18,597,215 with an unvoted debt margin of \$206,636.

### **For the Future**

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

The first challenge is that although the District will have the resources necessary to meet operating expenses in fiscal year 2005, the District must maintain tight controls over spending to live within the means provided by the voters and the State of Ohio.

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

Another challenge is that the District will need to address school facilities. The District has entered into the Ohio School Facility Commission's Expedited Local Partnership Program. In response to districts desiring improvements sooner than scheduled, the State Legislature created the Expedited Local Partnership Program (ELPP), which allows a district to proceed with rebuilding a portion of their facilities by spending their local share monies now. Then, when the district becomes eligible for the funded program – Classroom Facilities Assistance Program – the money they spent in the ELPP will be credited toward their local share requirement of the Classroom Facilities Assistance Program. The ELPP will lock the percentage of the State's share of construction at the time the District enters into the program.



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

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mr. Robert P. Barrett, Treasurer/CFO at Beaver Local School District, 13093 State Route 7, Lisbon, Ohio 44432.

**Beaver Local School District**  
**Columbiana County, Ohio**  
**Statement of Net Assets**  
**June 30, 2004**

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$940,135
Cash and Cash Equivalents with Fiscal Agents	513
Materials and Supplies Inventory	51,104
Accrued Interest Receivable	366
Accounts Receivable	5,482
Intergovernmental Receivable	240,595
Taxes Receivable	5,712,077
Noncurrent Assets:	
Capital Assets:	
Land and Construction in Progress	601,710
Depreciable Capital Assets, Net	<u>2,927,732</u>
<i>Total Assets</i>	<u>10,479,714</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	88,660
Accrued Wages and Benefits	1,212,347
Intergovernmental Payable	244,246
Matured Interest Payable	513
Deferred Revenue	5,217,632
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	414,912
Due In More Than One Year	<u>1,803,837</u>
<i>Total Liabilities</i>	<u>8,982,147</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,151,696
Restricted for:	
Capital Projects	110,872
Other Purposes	158,644
Unrestricted	<u>(1,923,645)</u>
<i>Total Net Assets</i>	<u><u>\$1,497,567</u></u>

See accompanying notes to the basic financial statements.

**Beaver Local School District  
Columbiana County, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$9,543,261	\$686,840	\$226,497	(\$8,629,924)
Special	1,599,222	94,483	227,548	(1,277,191)
Vocational	6,590	319	0	(6,271)
Adult/Continuing	17,575	1,275	0	(16,300)
Other	19,911	1,445	0	(18,466)
Support Services:				
Pupils	511,629	32,249	50,656	(428,724)
Instructional Staff	586,809	36,797	61,235	(488,777)
Board of Education	75,229	5,459	0	(69,770)
Administration	1,609,677	104,179	75,301	(1,430,197)
Fiscal	378,947	27,366	97	(351,484)
Operation and Maintenance of Plant	1,602,532	112,635	29,487	(1,460,410)
Pupil Transportation	1,337,088	93,830	26,800	(1,216,458)
Operation of Non-Instructional Services	868,026	369,173	354,985	(143,868)
Extracurricular Activities	467,644	297,839	388	(169,417)
Interest and Fiscal Charges	5,039	0	0	(5,039)
<i>Total Governmental Activities</i>	<u>\$18,629,179</u>	<u>\$1,863,889</u>	<u>\$1,052,994</u>	<u>(\$15,712,296)</u>
<b>General Revenues:</b>				
Property and Other Local Taxes				4,652,436
Grants and Entitlements not Restricted to Specific Programs				9,996,315
Investment Earnings				11,922
Miscellaneous				<u>31,776</u>
<i>Total General Revenues</i>				14,692,449
Change in Net Assets				(1,019,847)
<i>Net Assets Beginning of Year (Restated)</i>				<u>2,517,414</u>
<i>Net Assets End of Year</i>				<u>\$1,497,567</u>

See accompanying notes to the basic financial statements.

**Beaver Local School District  
Columbiana County, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$618,146	\$321,989	\$940,135
Cash and Cash Equivalents with Fiscal Agents	0	513	513
Materials and Supplies Inventory	23,352	27,752	51,104
Accrued Interest Receivable	366	0	366
Accounts Receivable	3,781	1,701	5,482
Interfund Receivable	46,579	0	46,579
Intergovernmental Receivable	5,128	235,467	240,595
Taxes Receivable	5,712,077	0	5,712,077
<i>Total Assets</i>	<u>\$6,409,429</u>	<u>\$587,422</u>	<u>\$6,996,851</u>
<b>Liabilities</b>			
Accounts Payable	\$64,818	\$23,842	\$88,660
Accrued Wages and Benefits	1,124,106	88,241	1,212,347
Intergovernmental Payable	226,877	17,369	244,246
Interfund Payable	0	46,579	46,579
Matured Interest Payable	0	513	513
Deferred Revenue	5,535,161	192,332	5,727,493
<i>Total Liabilities</i>	<u>6,950,962</u>	<u>368,876</u>	<u>7,319,838</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	106,869	84,199	191,068
Reserved for Property Taxes	176,916	0	176,916
Reserved for Text Books	872,600	0	872,600
Unreserved, Undesignated, Reported in:			
General Fund	(1,697,918)	0	(1,697,918)
Special Revenue Funds	0	93,381	93,381
Capital Projects Funds	0	40,966	40,966
<i>Total Fund Balances (Deficits)</i>	<u>(541,533)</u>	<u>218,546</u>	<u>(322,987)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,409,429</u>	<u>\$587,422</u>	<u>\$6,996,851</u>

See accompanying notes to the basic financial statements.

**Beaver Local School District**  
**Columbiana County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2004**

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**Total Governmental Funds Balances** (\$322,987)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 3,529,442

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

Taxes	317,529
Grants	<u>192,332</u>

Total 509,861

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

Intergovernmental Payable	(113,714)
Compensated Absences	(1,455,089)
Notes Payable	<u>(649,946)</u>

Total (2,218,749)

*Net Assets of Governmental Activities* \$1,497,567

See accompanying notes to the basic financial statements.

**Beaver Local School District**  
**Columbiana County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property and Other Local Taxes	\$4,953,373	\$28,893	\$4,982,266
Intergovernmental	9,996,315	1,124,714	11,121,029
Interest	11,791	131	11,922
Tuition and Fees	1,148,071	15,022	1,163,093
Rent	4,646	0	4,646
Extracurricular Activities	51,879	275,054	326,933
Customer Sales and Services	0	369,217	369,217
Miscellaneous	22,356	4,213	26,569
<i>Total Revenues</i>	<u>16,188,431</u>	<u>1,817,244</u>	<u>18,005,675</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	9,224,504	255,505	9,480,009
Special	1,296,581	288,950	1,585,531
Vocational	4,394	0	4,394
Adult/Continuing	16,574	0	16,574
Other	19,911	0	19,911
Support Services:			
Pupils	444,459	58,740	503,199
Instructional Staff	501,103	58,635	559,738
Board of Education	75,229	0	75,229
Administration	1,414,637	119,526	1,534,163
Fiscal	374,049	139	374,188
Operation and Maintenance of Plant	1,555,703	20,068	1,575,771
Pupil Transportation	1,289,667	0	1,289,667
Operation of Non-Instructional Services	0	855,186	855,186
Extracurricular Activities	313,440	249,731	563,171
Capital Outlay	125,525	333,104	458,629
Debt Service:			
Principal Retirement	0	23,854	23,854
Interest and Fiscal Charges	0	5,039	5,039
<i>Total Expenditures</i>	<u>16,655,776</u>	<u>2,268,477</u>	<u>18,924,253</u>
<i>(Deficiency) of Revenues (Under) Expenditures</i>	<u>(467,345)</u>	<u>(451,233)</u>	<u>(918,578)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	227,608	227,608
Proceeds From Sale of Fixed Assets	6,487	0	6,487
Inception of Capital Lease	400,520	0	400,520
Transfers Out	(227,608)	0	(227,608)
<i>Total Other Financing Sources (Uses)</i>	<u>179,399</u>	<u>227,608</u>	<u>407,007</u>
<i>Net Change in Fund Balances</i>	(287,946)	(223,625)	(511,571)
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(253,587)</u>	<u>442,171</u>	<u>188,584</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$541,533)</u></u>	<u><u>\$218,546</u></u>	<u><u>(\$322,987)</u></u>

See accompanying notes to the basic financial statements.

**Beaver Local School District**  
**Columbiana County, Ohio**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

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**Net Change in Fund Balances - Total Governmental Funds** (\$511,571)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 181,863

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (329,830)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (160,264)

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

Intergovernmental Funds	(87,220)	
Compensated Absences	(112,825)	
	(200,045)	(200,045)

*Change in Net Assets of Governmental Activities* (\$1,019,847)

See accompanying notes to the basic financial statements.

**Beaver Local School District**  
**Columbiana County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues:</b>				
Property and Other Local Taxes	\$5,744,415	\$4,928,197	\$4,928,197	\$0
Intergovernmental	9,875,486	9,995,473	9,995,473	0
Interest	12,041	12,187	12,187	0
Tuition and Fees	1,133,556	1,147,329	1,147,329	0
Rent	4,590	4,646	4,646	0
Extracurricular Activities	51,256	51,879	51,879	0
Miscellaneous	22,088	22,356	22,356	0
<b>Total Revenues</b>	<b>16,843,432</b>	<b>16,162,067</b>	<b>16,162,067</b>	<b>0</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,786,427	9,109,851	9,109,851	0
Special	1,243,495	1,290,128	1,290,128	0
Vocational	4,283	4,444	4,444	0
Adult/Continuing	15,504	16,087	16,087	0
Other	19,593	20,328	20,328	0
<b>Support Services:</b>				
Pupils	424,691	440,618	440,618	0
Instructional Staff	475,712	493,351	493,351	0
Board of Education	72,217	74,926	74,926	0
Administration	1,364,364	1,415,533	1,415,533	0
Fiscal	362,175	375,758	375,758	0
Operation and Maintenance of Plant	1,505,568	1,562,036	1,562,036	0
Pupil Transportation	1,006,703	1,044,461	1,044,461	0
Extracurricular Activities	249,774	315,059	315,059	0
Capital Outlay	131,243	136,165	136,165	0
<b>Total Expenditures</b>	<b>15,661,749</b>	<b>16,298,745</b>	<b>16,298,745</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,181,683</b>	<b>(136,678)</b>	<b>(136,678)</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	0	14,222	14,222	0
Refund of Prior Year Expenditures	0	3,254	3,254	0
Advances In	0	840	840	0
Transfers Out	(1,600,000)	(227,608)	(227,608)	0
Advances Out	(45,000)	(46,579)	(46,579)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,645,000)</b>	<b>(255,871)</b>	<b>(255,871)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(463,317)</b>	<b>(392,549)</b>	<b>(392,549)</b>	<b>0</b>
Fund Balance at Beginning of Fiscal Year	465,448	465,448	465,448	0
Prior Fiscal Year Encumbrances Appropriated	402,937	402,937	402,937	0
<b>Fund Balance at End of Fiscal Year</b>	<b>\$405,068</b>	<b>\$475,836</b>	<b>\$475,836</b>	<b>\$0</b>

See accompanying notes to the basic financial statements.



**Beaver Local School District  
Columbiana County, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2004**

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$46,941
Accounts Receivable	<u>538</u>
Total Assets	<u>47,479</u>
<b>Liabilities</b>	
Accounts Payable	2,680
Due to Students	<u>44,799</u>
<i>Total Liabilities</i>	<u><u>\$47,479</u></u>

See accompanying notes to the basic financial statements.

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**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

The Beaver Local School District operates under a locally elected, five-member Board of Education form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the School District’s six instructional/support facilities staffed by 86 noncertificated employees, 154 certificated full-time teaching personnel, and 20 administrators/confidential employees who provide services to 2,452 students and other community members.

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

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

***Financial Reporting Entity***

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

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER**

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

**ST. CLAIR TOWNSHIP**

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

**MADISON TOWNSHIP**

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

**ELKRUN TOWNSHIP**

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

**MIDDLETON TOWNSHIP**

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

**BEAVER LOCAL EDUCATION ASSOCIATION**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

**OUTSIDE SUPPORT/BOOSTER CLUBS**

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

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

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

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

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

***Basis Of Presentation***

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

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

***Fund Accounting***

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

***Governmental Funds***

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

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

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

***Proprietary Fund***

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

***Fiduciary Funds***

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

***Measurement Focus***

*Government-wide Financial Statements* The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

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

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

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Deferred Revenue***

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



**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2004, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenditures/Expenses***

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

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

***Budgetary Data***

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

**Tax Budget:**

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations:

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

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

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2004, investments were limited to overnight repurchase agreements and the State Treasurer's Investment Pool.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

As authorized by Ohio statutes, the Board of Education has, by resolution, specified the funds to receive on allocation of interest earnings. Interest was distributed to the general fund and the food service fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$11,791, which includes \$4,187 assigned from other School District funds.

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

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

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

***Inventory***

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

***Capital Assets***

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

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

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

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

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

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

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

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

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

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

**Grants and Entitlements**

**Entitlements**

***General Fund***

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

***Special Revenue Funds***

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

***Capital Projects Funds***

- State School Bus Purchase Reimbursement
- SchoolNet

BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Non-Reimbursable Grants**

*General Fund*

FCC E-Rate Grant

*Special Revenue Funds*

Video Distance Learning

Title I

Student Reading Intervention

OhioReads Grant

SchoolNet Professional Development Grant

Safe Schools Grant

Eisenhower Grant

Title V

Conflict Management Grant

Title II-A

Summer Institute Reading Interventions (SIRI) Grant

Title II-D

Drug-Free Schools Grant

Summer School Grant

Playground Safety Grant

YSU Project Grant

Project Portal

Extended Learning Grant

**Reimbursable Grants**

*General Fund*

Marine Corps JROTC Program

*Food Service Funds*

National and State School Lunch Program

National and State School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to 61.76 percent of the School District's operating revenue during the 2004 fiscal year.

*Interfund Balances*

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

*Compensated Absences*

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

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

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

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

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

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

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

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

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

***Interfund Transactions***

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

**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Net Assets***

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

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

***Fund Balance Reserves***

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

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2003, the School District incurred a transaction that would be classified as a special item. This special item relates to proceeds on a sale of capital assets.

***Estimates***

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



**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 3 – RESTATEMENT OF FUND BALANCE**

At June 30, 2003, deferred revenue was adjusted due to a change in beginning balance. This restatement had the following effect on net assets as it was previously reported:

	<u>Governmental Activities</u>
Net Assets, June 30, 2003	\$6,570,010
Adjustment per GASB Statement No. 33	<u>(4,052,596)</u>
Restated Net Assets, June 30, 2003	<u><u>\$2,517,414</u></u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

	<u>General Fund</u>
GAAP Basis	(\$287,946)
Net Adjustment for Revenue Accruals	(417,664)
Net Adjustment for Expenditure Accruals	168,773
Encumbrances	<u>144,288</u>
Budget Basis	<u><u>(\$392,549)</u></u>

**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 5 – COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Equity**

Fund equity at June 30, 2004, included the following individual fund deficits:

<u>Major Funds</u>	<u>Fund Equity</u>
General Fund	(\$541,533)
Nonmajor Funds:	
Title I	(51,645)
Education Management and Information System	(898)
DPIA	(73)
Title VI-R	(4,106)
Drug Free Schools	(1,448)
Title VI	(2,786)
Food Service	(14,227)

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
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**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

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

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

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

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

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

Cash on Hand

At fiscal year end, the School District had \$2,595 in undeposited cash on hand which is included on the Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

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

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$381,674 and the bank balance was \$987,589. FDIC and pledged collateral cover the entire bank balance.

Investments

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

	Category 3	Carrying Value	Fair Value
Overnight Repurchase Agreements	\$190,157	\$190,157	\$190,157
Subtotal	<u>\$190,157</u>		
STAR Ohio		<u>413,163</u>	<u>413,163</u>
Total Investments		<u>\$603,320</u>	<u>\$603,320</u>

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$987,589	\$0
Investments of the Cash Management Pool:		
Overnight Repurchase Agreements	(190,157)	190,157
STAR Ohio	(413,163)	413,163
Cash on Hand	<u>(2,595)</u>	<u>0</u>
GASB Statement No. 3	<u>\$381,674</u>	<u>\$603,320</u>



**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 7 - PROPERTY TAXES** (continued)

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, the entire amount measurable is not intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004, consisted of taxes, accounts (tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principles items of receivables follows:

	<u>Amount</u>
Governmental Activities	
Taxes-Current and Delinquent	\$5,712,077
Accounts	5,482
Intergovernmental	240,595
Accrued Interest	366
Receivables	<u>\$5,958,520</u>

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>07/01/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/2004</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$374,490	\$227,220	\$0	\$601,710
Total Capital Assets, Not Being Depreciated	<u>374,490</u>	<u>227,220</u>	<u>0</u>	<u>601,710</u>
Capital Assets, Being Depreciated				
Land Improvements	1,053,905	0	0	1,053,905
Buildings/Improvements	4,974,752	190,433	0	5,165,185
Furniture and Equipment	1,948,902	121,677	(154,658)	1,915,921
Vehicles	1,467,247	38,193	(139,326)	1,366,114
Total Capital Assets, Being Depreciated	<u>9,444,806</u>	<u>350,303</u>	<u>(293,984)</u>	<u>9,501,125</u>

**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 9 - CAPITAL ASSETS (continued)**

	Balance 07/01/2003	Additions	Deductions	Balance 06/30/2004
Less: Accumulated Depreciation	<u>(6,471,717)</u>	<u>(394,380)</u>	<u>292,704</u>	<u>(6,573,393)</u>
Governmental Activities Capital Assets, Net	<u>\$3,347,579</u>	<u>\$183,143</u>	<u>(\$1,280)</u>	<u>\$3,529,442</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	(\$185,870)
Special	(5,235)
Vocational	(2,196)
Support Services:	
Pupils	(2,235)
Instructional Staff	(14,303)
Administration	(22,275)
Fiscal	(1,653)
Operation and Maintenance of Plant	(30,152)
Pupil Transportation	(102,345)
Operation of Non-Instructional Services	(5,195)
Extracurricular Activities	(22,921)
Total Depreciation Expense	<u>(\$394,380)</u>

**NOTE 10- RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District had a \$500 deductible per occurrence. The Nationwide Mutual Insurance Company provides liability insurance with a \$5,000,000 aggregate limit.

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

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

**BEAVER LOCAL SCHOOL DISTRICT  
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**NOTE 10- RISK MANAGEMENT (continued)**

For fiscal year 2004, the School District participated in the Ohio Association of School Business Official (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its Workers' Compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

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



**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS (continued)**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

*Funding Policy.* Plan members are required to contribute 10 percent of their annual covered salary and the Beaver Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$147,342, \$138,035, and \$70,330, respectively; 99.83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provided retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2004, were 10 percent of annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions to STRS Ohio for pension obligations for the fiscal years ended June 30, 2004, 2003 and 2002 were \$966,098, \$677,389 and \$653,934, respectively; 87.72 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients statewide. The portion of the School District's required contributions that were used to fund postemployment benefits was \$743,157 during the 2004 fiscal year.

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

For SERS, the Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation was 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits was \$300.8 million. The number of participants statewide current receiving health care benefits in approximately 62,000. For the School District, the amount to fund health care benefits, including surcharge, equaled \$108,074 during the 2004 fiscal year.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

**Life and Medical Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$50,000 per certificated, administration and confidential employees, and \$35,000 for classified employees. Life insurance is provided through the Sun Life Insurance Company.

The School District has contracted with Anthem Blue Cross Blue Shield to provide employee medical/surgical benefits under a fully insured plan. The School District pays medical/surgical and prescription premiums of \$749.13 for family coverage and \$299.63 for single coverage per employee per month. The prescription plan utilizes a \$12.00 for brand name prescriptions and \$5.00 for generic.

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

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Balance 07/01/2003	Additions	Deletions	Balance 06/30/2004	Amounts Due in One Year
<b>Governmental Activities</b>					
Asbestos Removal Loan	\$40,333	\$0	(\$12,348)	\$27,985	\$12,348
OWDA Loan Payable	255,720	0	(11,507)	244,213	11,738
Note Payable	11,300	0	(2,484)	8,816	3,755
Intergovernmental Payable	98,705	113,714	(98,705)	113,714	113,714
Compensated Absences	1,343,667	1,455,089	(1,343,667)	1,455,089	161,543
Capital Leases Payable	182,329	400,520	(213,917)	368,932	111,814
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,932,054</u>	<u>\$1,969,323</u>	<u>(\$1,682,628)</u>	<u>\$2,218,749</u>	<u>\$414,912</u>

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$27,841	\$4,871	\$32,712
2006	28,111	4,601	32,712
2007	16,775	4,333	21,108
2008	12,460	4,085	16,545
2009	12,710	3,835	16,545
2010 - 2014	67,487	15,238	82,725
2015 - 2019	74,548	8,177	82,725
2020 - 2022	41,082	1,212	42,294
Total	<u>\$281,014</u>	<u>\$46,352</u>	<u>\$327,366</u>

The School District's overall legal debt margin was \$18,597,215 with an unvoted debt margin of \$206,636 at June 30, 2004.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2004:

Fiscal Year Ending June 30,	General Long-Term Obligations
2005	\$172,412
2006	113,798
2007	69,996
2008	58,401
Total Minimum Lease Payment	414,607
Less Amount Representing Interest	(45,675)
Present Value of Minimum Lease Payments	<u>\$368,932</u>

**NOTE 17 - INTERFUND TRANSACTIONS**

A. Interfund loans receivable/payable consisted of the following at June 30, 2004, as reported on the fund statement:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	<u>\$46,579</u>

B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund statements:

	Amount
Transfers from General Fund to: Nonmajor Governmental Funds	<u>\$227,608</u>

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 18- CONTINGENCIES**

**A. Grants:**

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**B. Litigation:**

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

**NOTE 19 – STATE SCHOOL FUNDING DECISION**

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

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

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

**NOTE 20 – STATUTORY RESERVES**

The Beaver Local School District is required by State law to set aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presorted on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbook/ Instructional</u>	<u>Capital Improvements</u>
Set Aside Cash Balance as of June 30, 2003	\$1,333,203	\$0
Current Fiscal Year Set Aside Requirement	325,865	325,865
Qualifying Expenditures During the Fiscal Year	(786,468)	(919,660)
Offsets for the Fiscal Year	0	(60,000)
Total	<u>\$872,600</u>	<u>(\$653,795)</u>
Balance of the Set Aside Carried Forward to The Next Fiscal Year Total	<u>\$872,600</u>	<u>\$0</u>

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BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$74,315		\$74,315
National School Breakfast Program	2003 05-PU 2004 05-PU	10.553	9,657 44,366 <u>54,023</u>		9,657 44,366 <u>54,023</u>	
National School Lunch Program	2003 LL-P4 2004 LL-P4	10.555	45,563 201,757 <u>247,320</u>		45,563 201,757 <u>247,320</u>	
Total National School Lunch Program			<u>247,320</u>		<u>247,320</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<b><u>301,343</u></b>	<b><u>74,315</u></b>	<b><u>301,343</u></b>	<b><u>74,315</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2002 C1-S1 2003 C1-S1 2004 C1-SD 2002 C1-SD 2003 C1-SD 2004	84.010	42,295 348,910 99 557 13,609 <u>404,913</u>		189 50,946 351,764 99 557 13,544 <u>417,099</u>	
Total Title I Grants to Local Educational Agencies			<u>404,913</u>		<u>417,099</u>	
Drug Free School Grant	DR-S1 2002 DR-S1 2003 DR-S1 2004	84.186	2,199 8,775 <u>10,974</u>		117 2,704 9,532 <u>12,353</u>	
Total Drug Free School Grant			<u>10,974</u>		<u>12,353</u>	
Eisenhower Professional Development Grant	MS-S1 2001 MS-S1 2002	84.281			405 1,072 <u>1,477</u>	
Total Eisenhower Professional Development Grant					<u>1,477</u>	
Innovative Education Program Strategies	C2-S1 2003 C2-S1 2004	84.298	142 10,718 <u>10,860</u>		265 11,442 <u>11,707</u>	
Total Innovative Education Program Strategies			<u>10,860</u>		<u>11,707</u>	
Improvement of Education Earmarked Application		84.215			1,091	
Title II - D	TJ-S1-2004 TJ-S1-2004	84.318	1,571 <u>1,571</u>		149 840 <u>989</u>	
Title II - A	TR-S1-2003 TR-S1-2004	84.367	3,823 84,181 <u>88,004</u>		15,289 78,602 <u>93,891</u>	
Total Department of Education			<b><u>516,322</u></b>		<b><u>538,607</u></b>	
<b>Totals</b>			<b><u>\$817,665</u></b>	<b><u>\$74,315</u></b>	<b><u>\$839,950</u></b>	<b><u>\$74,315</u></b>

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2004**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- FOOD DISTRIBUTION**

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



## Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Beaver Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated February 10, 2005.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated February 10, 2005.

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

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

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

**Betty Montgomery**  
Auditor of State

February 10, 2005



## Auditor of State Betty Montgomery

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

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

#### Compliance

We have audited the compliance of the Beaver Local School District, Columbiana County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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

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

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

**Betty Montgomery**  
Auditor of State

February 10, 2005

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I (CFDA# 84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None







**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**BEAVER LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 7, 2005**