

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

CONNIE HANGE, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Black River Local School District, Medina County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 3, 2012

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

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District, Medina County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Black River Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Black River Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District, Medina County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the Black River Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2011, on our consideration of the Black River Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Black River Local School District
Page Two

Accounting principles generally accepted in the United States of America requires this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Black River Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 26, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Black River Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities decreased \$188,619 which represents a 2.83% decrease from 2010's restated balance.
- General revenues accounted for \$11,390,334 in revenue or 75.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,651,449 or 24.28% of total revenues of \$15,041,783.
- The District had \$15,230,402 in expenses related to governmental activities; only \$3,651,449 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,390,334 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$12,368,759 in revenues and other financing sources and \$12,530,595 in expenditures. During fiscal year 2011, the general fund's fund balance decreased \$161,836 from a restated deficit of \$1,168,824, as described in Note 3.B, to a deficit of \$1,330,660.
- The bond retirement fund had \$3,631,845 in revenues and other financing sources and \$3,588,914 in expenditures and other financing uses. During fiscal year 2011, the bond retirement fund's fund balance increased \$42,931 from a balance of \$650,835 to a balance of \$693,766.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation central, operation of non-instructional services, extracurricular activities, and food service operations and interest and fiscal charges.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-49 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010. Current assets and unrestricted net assets have been restated to include the unclaimed monies fund, which was previously reported as a fiduciary fund as described in Note 3.B.

	Net Assets	
	Governmental Activities 2011	Restated Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 6,076,859	\$ 6,212,742
Capital assets, net	<u>10,039,879</u>	<u>10,648,782</u>
Total assets	<u>16,116,738</u>	<u>16,861,524</u>
<u>Liabilities</u>		
Current liabilities	5,709,928	6,013,464
Long-term liabilities	<u>3,938,143</u>	<u>4,190,774</u>
Total liabilities	<u>9,648,071</u>	<u>10,204,238</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	6,854,749	7,401,636
Restricted	1,425,412	1,270,819
Unrestricted (deficit)	<u>(1,811,494)</u>	<u>(2,015,169)</u>
Total net assets	<u>\$ 6,468,667</u>	<u>\$ 6,657,286</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$6,468,667.

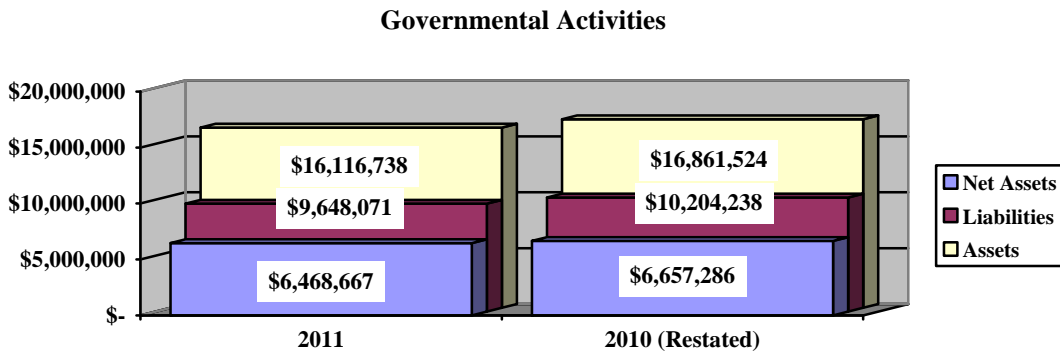
**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At fiscal year-end, capital assets represented 62.29% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$6,854,749. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,425,412, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of \$1,811,494.

The graph below presents the District's governmental assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010. Other revenues and net assets of governmental activities in fiscal year 2010 have been restated to include the unclaimed monies fund, which was previously reported in the fiduciary funds as described in Note 3.B.

	Change in Net Assets	
	Governmental	Restated
	Activities	Governmental
	2011	2010
	<u>2011</u>	<u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 765,030	\$ 1,023,645
Operating grants and contributions	2,669,677	1,864,780
Capital grants and contributions	216,742	207,214
General revenues:		
Property taxes	3,888,400	4,326,598
Grants and entitlements	7,482,745	8,116,016
Investment earnings	11,274	34,538
Miscellaneous	<u>7,915</u>	<u>6,041</u>
Total revenues	<u>15,041,783</u>	<u>15,578,832</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Change in Net Assets	
	Governmental	Restated
	Activities	Governmental
	<u>2011</u>	<u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,164,353	\$ 7,359,692
Special	1,802,383	2,088,322
Vocational	153,003	60,870
Other	1,966	2,344
Support services:		
Pupil	638,136	758,206
Instructional staff	812,810	663,705
Board of education	33,562	31,989
Administration	1,043,698	1,236,568
Fiscal	322,750	337,460
Business	31,838	26,901
Operations and maintenance	1,015,419	1,069,752
Pupil transportation	1,016,133	1,041,836
Central	60,070	31,951
Operations of non-instructional services:		
Food service operations	410,783	495,213
Other non-instructional services	2,108	-
Extracurricular activities	568,846	642,492
Interest and fiscal charges	<u>152,544</u>	<u>353,012</u>
Total expenses	<u>15,230,402</u>	<u>16,200,313</u>
Extraordinary items	<u>-</u>	<u>393,998</u>
Change in net assets	(188,619)	(227,483)
Net assets at beginning of year (restated)	<u>6,657,286</u>	<u>6,884,769</u>
Net assets at end of year	<u>\$ 6,468,667</u>	<u>\$ 6,657,286</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$188,619. Total governmental expenses of \$15,230,402 were offset only partially by program revenues of \$3,651,449 and general revenues of \$11,390,334. Program revenues supported 23.97% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 75.60% of total governmental revenue.

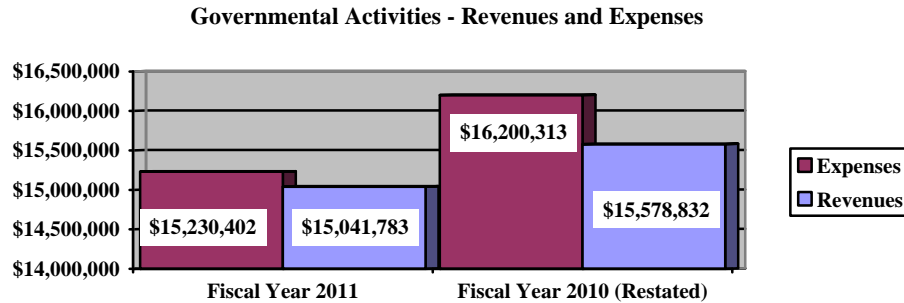
In the area of program revenues, operating grants and contributions increased \$804,897 resulting in part from presentation of Pathway for Student Success (PASS) funding which offsets special education costs. PASS funding has been reported as program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,121,705 or 59.89% of total governmental expenses for fiscal year 2011.

The graph below presents the District's governmental revenues and expenses for fiscal years 2011 and 2010. Governmental revenues in fiscal year 2010 have been restated to include revenues of the unclaimed monies fund, which was previously reported as a fiduciary fund as described in Note 3.B.



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 taxes and unrestricted grants and entitlements.

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 7,164,353	\$ 6,602,774	\$ 7,359,692	\$ 7,123,048
Special	1,802,383	532,682	2,088,322	780,714
Vocational	153,003	132,693	60,870	60,870
Other	1,966	452	2,344	2,344
Support services:				
Pupil	638,136	546,387	758,206	547,028
Instructional staff	812,810	108,633	663,705	451,519
Board of education	33,562	31,159	31,989	31,989
Administration	1,043,698	988,272	1,236,568	1,147,631
Fiscal	322,750	322,750	337,460	337,460
Business	31,838	31,838	26,901	26,901
Operations and maintenance	1,015,419	1,002,701	1,069,752	1,069,752
Pupil transportation	1,016,133	835,048	1,041,836	838,616
Central	60,070	(3,470)	31,951	(28,566)
Operations of non-instructional services:				
Food service operations	410,783	(13,077)	495,213	1,362
Other non-instructional services	2,108	2,108	-	(494)
Extracurricular activities	568,846	305,459	642,492	361,488
Interest and fiscal charges	152,544	152,544	353,012	353,012
Total expenses	\$ 15,230,402	\$ 11,578,953	\$ 16,200,313	\$ 13,104,674

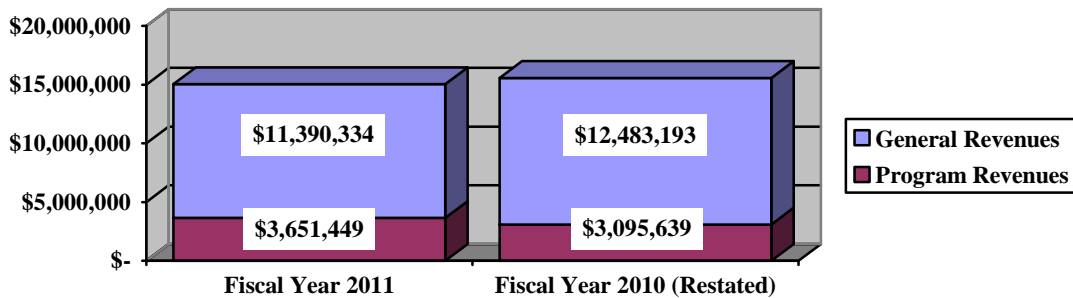
**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax and other general revenues for governmental activities is apparent, 79.68% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.03%. The District's taxpayers and grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010. Fiscal year 2010 general revenues have been restated to include revenues recognized in the unclaimed monies fund, which was previously reported as a fiduciary fund as described in Note 3.B.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit balance of \$561,205, which is higher than last year's restated deficit balance of \$658,977. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and June 30, 2010. Fund balances at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance (Deficit) <u>June 30, 2011</u>	Restated Fund Balance (Deficit) <u>June 30, 2010</u>	Increase/ (Decrease)
General	\$ (1,330,660)	\$ (1,168,824)	\$ (161,836)
Bond retirement	693,766	650,835	42,931
Other governmental	<u>75,689</u>	<u>(140,988)</u>	<u>216,677</u>
Total	<u>\$ (561,205)</u>	<u>\$ (658,977)</u>	<u>\$ 97,772</u>

General Fund

The District's general fund balance decreased \$161,836 during fiscal year 2011. Tuition revenue in the general fund decreased \$87,381, or 35.62%, due to decreased open enrollment. The decrease of 68.47% in earnings on investments is due to lower interest rates in fiscal year 2011. Other revenue (including rental income, contribution, donations, and miscellaneous revenues) increased \$69,155, or 27.53%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Support services expenditures in the general fund decreased 12.21%, due to cost cutting measures related to employees' wages and benefits, while extracurricular expenditures increased 7.10% from the prior year. Debt service expenditures decreased \$30,563 during the fiscal year due to lower principal payments paid from the general fund.

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

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,810,096	\$ 3,668,219	3.87 %
Tuition	157,966	245,347	(35.62) %
Earnings on investments	10,890	34,538	(68.47) %
Intergovernmental	7,869,491	8,035,601	(2.07) %
Other revenues	<u>320,316</u>	<u>251,161</u>	27.53 %
Total	<u>\$ 12,168,759</u>	<u>\$ 12,234,866</u>	(0.54) %
<u>Expenditures</u>			
Instruction	\$ 8,181,448	\$ 8,172,558	0.11 %
Support services	3,901,202	4,444,008	(12.21) %
Operation of non-instructional services	2,108	489	331.08 %
Extracurricular activities	413,226	385,843	7.10 %
Debt service	<u>32,611</u>	<u>63,174</u>	(48.38) %
Total	<u>\$ 12,530,595</u>	<u>\$ 13,066,072</u>	(4.10) %

Bond Retirement Fund

The bond retirement fund had \$3,631,845 in revenues and other financing sources and \$3,588,914 in expenditures and other financing uses. During fiscal year 2011, the bond retirement fund's fund balance increased \$42,931 from a balance of \$650,835 to a balance of \$693,766.

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 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$12,305,362, while final revenues and other financing sources were \$12,166,533. Actual revenues and other financing sources for fiscal year 2011 were equal to the final budget.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$11,686,856 and \$11,925,879, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2011 were equal to the final appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$10,039,879 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities.

The table that follows shows June 30, 2011 balances compared to June 30, 2010:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$ 363,000	\$ 363,000
Land improvements	353,342	379,674
Buildings and improvements	8,675,964	9,130,916
Furniture, fixtures and equipment	252,795	387,940
Vehicles	394,778	387,252
Total	\$ 10,039,879	\$ 10,648,782

The overall decrease in capital assets of \$608,903 is due to depreciation expense of \$687,604 and disposals of \$4,049, net of accumulated depreciation, exceeding capital outlay of \$82,750.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011, the District issued current refunding bonds in the amount of \$3,130,000, refunding the entire balance of its current interest general obligation bonds. Additionally, the District fulfilled its capital appreciation bond and accreted interest obligations in full during fiscal year 2011, and had a remaining capital lease obligation at June 30, 2011, in the amount of \$55,130.

The following table summarizes bonds and capital leases outstanding at June 30, 2011:

Outstanding Debt, at Year End

	Governmental Activities 2011	Governmental Activities 2010
Series 2001 refunding bonds	\$ -	\$ 3,420,000
Series 2011 refunding bonds	3,130,000	-
Capital lease obligation	55,130	82,146
Total	\$ 3,185,130	\$ 3,502,146

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The Series 2011 School Improvement Refunding Bonds are scheduled to mature in fiscal year 2020. The capital lease obligation for copier equipment is scheduled to mature in fiscal year 2013. Payments on the District's capital lease obligations are made from the general fund, while interest and principal for the District's refunding bonds are paid from the bond retirement fund.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Funding

Black River Local School District is a rural school district that encompasses 125 square miles in southwestern Medina, southern Lorain and northern Ashland counties. The State Foundation Formula is the primary funding source of education to the District and represents approximately 65% of revenue. This funding calculation is affected by local property valuation changes and as valuations increase, the state funding is decreased. From 1997 to 2008 local property valuations increased 99% or \$95 million, from \$96 million to \$191 million. In 2009 local property valuations started to decrease and, while not a significant decrease in that particular year, it is anticipated that values will continue to decrease over the next several years. Another significant factor in this calculation is student enrollment, which increased 69% or 716 students, from 1,033 students in fiscal year 1998 to 1,749 students in fiscal year 2009. Unfortunately, as with property values, student enrollment has been declining and fell to 1,572 students in 2010. The general economic down turn has negatively impacted the district as well. Decreasing revenues, property values and student numbers coupled with increasing expenses has challenged the district financially. As the State of Ohio struggles to balance their budget, the outlook for public education is grim. Voters last passed a new operating revenue levy in 1997 and failed to pass any new issues since.

Approximately 83% of the general fund budget is expended for employee wages and fringe benefits. These costs, including health benefits, have been increasing at a rate almost double to that of recent revenue growth. As expenditures continue to increase at rates exceeding revenue growth, the District is challenged to monitor its budget so as to continue to strive for academic excellence while remaining financially sound. The State has cut funding to schools as legislators continue to struggle to balance that budget. At the same time, The Governor's Blue Ribbon Task Force on Financing Student Success has yet to provide any solutions. Forecasting beyond one year is uncertain at best. The district has made significant spending cuts in the past two years primarily through the implementation of a reduction in force. With no additional revenue expected, the district will reduce staff further as well as make significant cuts in school programs.

Contacting the School District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 871,970
Receivables:	
Property taxes	4,534,264
Accounts	866
Shared sales taxes	49,949
Intergovernmental	568,750
Prepayments	31,788
Materials and supplies inventory	4,419
Unamortized bond issuance costs	14,853
Capital assets:	
Land	363,000
Depreciable capital assets, net	9,676,879
Capital assets, net	<u>10,039,879</u>
 Total assets	 <u>16,116,738</u>
 Liabilities:	
Accounts payable	177,143
Accrued wages and benefits	1,332,248
Pension obligation payable	415,809
Intergovernmental payable	89,692
Unearned revenue	3,694,774
Accrued interest payable	262
Long-term liabilities:	
Due within one year	563,588
Due in more than one year	3,374,555
 Total liabilities	 <u>9,648,071</u>
 Net Assets:	
Invested in capital assets, net of related debt	6,854,749
Restricted for:	
Capital projects	175,413
Debt service	715,134
Locally funded programs	2,796
Federally funded programs	532,069
Unrestricted (deficit)	<u>(1,811,494)</u>
 Total net assets	 <u>\$ 6,468,667</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:					Governmental Activities
Instruction:					
Regular	\$ 7,164,353	\$ 276,226	\$ 274,688	\$ 10,665	\$ (6,602,774)
Special	1,802,383	7,716	1,261,985	-	(532,682)
Vocational	153,003	-	20,310	-	(132,693)
Other	1,966	-	1,514	-	(452)
Support services:					
Pupil.	638,136	-	91,749	-	(546,387)
Instructional staff	812,810	-	595,287	108,890	(108,633)
Board of education.	33,562	-	2,403	-	(31,159)
Administration.	1,043,698	-	55,426	-	(988,272)
Fiscal	322,750	-	-	-	(322,750)
Business.	31,838	-	-	-	(31,838)
Operations and maintenance	1,015,419	5,284	7,434	-	(1,002,701)
Pupil transportation.	1,016,133	27,107	56,791	97,187	(835,048)
Central	60,070	-	63,540	-	3,470
Operation of non-instructional services:					
Food service operations	410,783	191,625	232,235	-	13,077
Other non-instructional services.	2,108	-	-	-	(2,108)
Extracurricular activities.	568,846	257,072	6,315	-	(305,459)
Interest and fiscal charges	152,544	-	-	-	(152,544)
Totals	\$ 15,230,402	\$ 765,030	\$ 2,669,677	\$ 216,742	(11,578,953)
General Revenues:					
Property taxes levied for:					
General purposes					3,487,604
Debt service.					400,796
Grants and entitlements not restricted to specific programs					7,482,745
Investment earnings					11,274
Miscellaneous					7,915
Total general revenues					11,390,334
Change in net assets					(188,619)
Net assets at beginning of year (restated)					6,657,286
Net assets at end of year					\$ 6,468,667

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 67,287	\$ 529,437	\$ 275,246	\$ 871,970
Receivables:				
Property taxes	4,103,382	430,882	-	4,534,264
Accounts	866	-	-	866
Shared sales taxes	-	-	49,949	49,949
Intergovernmental	-	-	568,750	568,750
Prepayments	31,788	-	-	31,788
Materials and supplies inventory	-	-	4,419	4,419
Due from other funds	-	90,467	-	90,467
Total assets	\$ 4,203,323	\$ 1,050,786	\$ 898,364	\$ 6,152,473
Liabilities:				
Accounts payable	\$ 94,555	\$ -	\$ 82,588	\$ 177,143
Accrued wages and benefits	1,254,380	-	77,868	1,332,248
Compensated absences payable	168,690	-	-	168,690
Intergovernmental payable	83,994	-	5,698	89,692
Unearned revenue	3,359,384	335,390	-	3,694,774
Deferred revenue	191,599	21,630	531,626	744,855
Pension obligation payable	381,381	-	34,428	415,809
Due to other funds	-	-	90,467	90,467
Total liabilities	\$ 5,533,983	\$ 357,020	\$ 822,675	\$ 6,713,678
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	4,419	4,419
Prepays	31,788	-	-	31,788
Unclaimed monies	2,155	-	-	2,155
Restricted:				
Debt service	-	693,766	-	693,766
Capital improvements	-	-	106,289	106,289
Targeted academic assistance	-	-	1,823	1,823
Other purposes	-	-	3,233	3,233
Committed:				
Capital improvements	-	-	69,124	69,124
Assigned:				
Student instruction	16,821	-	-	16,821
Student and staff support	91,850	-	-	91,850
Unassigned (deficit)	(1,473,274)	-	(109,199)	(1,582,473)
Total fund balances (deficit)	(1,330,660)	693,766	75,689	(561,205)
Total liabilities and fund balances	\$ 4,203,323	\$ 1,050,786	\$ 898,364	\$ 6,152,473

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	(561,205)
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,039,879
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	213,229	
Intergovernmental receivable		531,626	
Total		<u>744,855</u>	744,855
Unamortized bond issuance costs are not recognized in the funds.			14,853
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(262)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(3,130,000)	
Capital lease obligations		(55,130)	
Compensated absences		(584,323)	
Total		<u>(3,769,453)</u>	(3,769,453)
Net assets of governmental activities		<u>\$</u>	<u>6,468,667</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,810,096	\$ 437,203	\$ -	\$ 4,247,299
Tuition	157,966	-	-	157,966
Transportation fees	-	-	24,972	24,972
Earnings on investments	10,890	-	384	11,274
Charges for services	-	-	180,947	180,947
Extracurricular	180,557	-	78,650	259,207
Classroom materials and fees	125,976	-	-	125,976
Rental income	5,284	-	-	5,284
Contributions and donations	200	-	5,425	5,625
Other local revenues	8,299	-	10,294	18,593
Shared sales taxes	-	-	216,742	216,742
Intergovernmental - intermediate	-	-	31,284	31,284
Intergovernmental - state	7,869,491	64,642	17,952	7,952,085
Intergovernmental - federal	-	-	1,849,636	1,849,636
Total revenues	<u>12,168,759</u>	<u>501,845</u>	<u>2,416,286</u>	<u>15,086,890</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,927,513	-	111,345	7,038,858
Special	1,118,874	-	541,351	1,660,225
Vocational	134,432	-	-	134,432
Other	629	-	1,337	1,966
Support services:				
Pupil	538,656	-	71,158	609,814
Instructional staff	344,437	-	458,787	803,224
Board of education	31,166	-	2,396	33,562
Administration	861,215	-	53,750	914,965
Fiscal	306,673	7,374	-	314,047
Business	31,838	-	-	31,838
Operations and maintenance	860,064	-	83,112	943,176
Pupil transportation	923,933	-	136,688	1,060,621
Central	3,220	-	56,850	60,070
Operation of non-instructional services:				
Other non-instructional services	2,108	-	-	2,108
Food service operations	-	-	389,891	389,891
Extracurricular activities	413,226	-	92,944	506,170
Debt service:				
Principal retirement	27,016	290,000	-	317,016
Interest and fiscal charges	5,595	146,540	-	152,135
Bond issuance costs	-	15,000	-	15,000
Total expenditures	<u>12,530,595</u>	<u>458,914</u>	<u>1,999,609</u>	<u>14,989,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(361,836)</u>	<u>42,931</u>	<u>416,677</u>	<u>97,772</u>
Other financing sources (uses):				
Sale of bonds	-	3,130,000	-	3,130,000
Transfers in	200,000	-	-	200,000
Transfers (out)	-	-	(200,000)	(200,000)
Payment to refunded bond escrow agent	-	(3,130,000)	-	(3,130,000)
Total other financing sources (uses)	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balances	<u>(161,836)</u>	<u>42,931</u>	<u>216,677</u>	<u>97,772</u>
Fund balances (deficit)				
at beginning of year (restated)	(1,168,824)	650,835	(140,988)	(658,977)
Fund balances (deficit) at end of year	<u>\$ (1,330,660)</u>	<u>\$ 693,766</u>	<u>\$ 75,689</u>	<u>\$ (561,205)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	97,772
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 depreciation expense exceeds capital outlay in the current period.		
Capital asset additions	\$ 82,750	
Current year depreciation	<u>(687,604)</u>	
Total		(604,854)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(4,049)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(4,605)	
Intergovernmental	<u>(40,502)</u>	
Total		(45,107)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	290,000	
Capital leases	<u>27,016</u>	
Total		317,016
Issuances of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(3,130,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets.		
		3,130,000
Bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		15,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(262)	
Amortization of bond issuance costs	<u>(147)</u>	
Total		(409)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>36,012</u>
Change in net assets of governmental activities	\$	<u>(188,619)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 3,532,700	\$ 3,491,225	\$ 3,491,225	\$ -
Tuition.	159,843	157,966	157,966	-
Earnings on investments	22,497	22,233	22,233	-
Extracurricular.	26,393	26,083	26,083	-
Classroom materials and fees	126,984	125,493	125,493	-
Rental income	5,347	5,284	5,284	-
Contributions and donations	202	200	200	-
Other local revenues	19,807	19,574	19,574	-
Intergovernmental - state	7,962,980	7,869,491	7,869,491	-
Total revenues	<u>11,856,753</u>	<u>11,717,549</u>	<u>11,717,549</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,676,435	6,781,195	6,781,195	-
Special.	817,901	930,590	930,590	-
Vocational.	109,659	123,439	123,439	-
Support services:				
Pupil.	538,687	533,291	533,291	-
Instructional staff	306,802	318,150	318,150	-
Board of education	24,240	31,238	31,238	-
Administration.	872,896	875,479	875,479	-
Fiscal	354,868	346,366	346,366	-
Business	22,541	31,838	31,838	-
Operations and maintenance.	883,967	893,966	893,966	-
Pupil transportation	849,303	866,251	866,251	-
Central.	3,621	3,220	3,220	-
Operation of non-instructional services:				
Other non-instructional services	2,042	1,776	1,776	-
Extracurricular activities.	177,479	189,080	189,080	-
Total expenditures	<u>11,640,441</u>	<u>11,925,879</u>	<u>11,925,879</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>216,312</u>	<u>(208,330)</u>	<u>(208,330)</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	218,158	215,597	215,597	-
Transfers in	202,376	200,000	200,000	-
Advances in.	27,659	27,334	27,334	-
Advances (out)	(46,415)	-	-	-
Other sources	-	5,642	5,642	-
Sale of capital assets	416	411	411	-
Total other financing sources (uses)	<u>402,194</u>	<u>448,984</u>	<u>448,984</u>	<u>-</u>
Net change in fund balance	618,506	240,654	240,654	-
Fund balance (deficit) at beginning of year	(572,786)	(572,786)	(572,786)	-
Prior year encumbrances appropriated	189,016	189,016	189,016	-
Fund balance (deficit) at end of year	\$ 234,736	\$ (143,116)	\$ (143,116)	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 41,117	\$ 36,637
Receivables:		
Accrued interest.	164	-
Total assets.	41,281	\$ 36,637
Liabilities:		
Accounts payable.	-	\$ 166
Intergovernmental payable	-	4
Due to students.	-	36,467
Total liabilities	-	\$ 36,637
Net assets:		
Held in trust for scholarships	41,281	
Total net assets	\$ 41,281	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 504
Gifts and contributions	10,703
Total additions	11,207
 Deductions:	
Scholarships awarded	2,702
Change in net assets	8,505
Net assets at beginning of year (restated).	32,776
Net assets at end of year	\$ 41,281

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District operates 1 comprehensive school, serving grades K through 8, and 1 high school. The District employs 61 non-certified and 100 certified (including administrative) full-time and part-time employees to provide services to approximately 1,504 students in grades K through 12 and various community groups, which ranks it 358th out of approximately 918 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATIONS

Medina County Career Center (MCCC)

The MCCC is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The MCCC accepts non-tuition students from the District as a member school district; however, it is considered a separate political subdivision and is not considered to be part of the District. The Board of Education of the MCCC consists of representatives from the Board's of each participating school district. Financial information can be obtained by contacting the Treasurer of the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256-3842.

The Tri-County Computer Service Association (TCCSA)

TCCSA is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Midland Council of Governments, 2125B Eagle Pass, Wooster, Ohio 44691.

PUBLIC ENTITY RISK POOL

Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for and report the accumulation of resources that are restricted for payment of general obligation bond and principal and interest.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of budgetary control.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2011. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$10,890, which includes \$10,165 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

I. Interfund Balances

On the fund financial statements, receivables and payables to cover deficit cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental-wide statement of net assets.

J. Compensated Absences

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance equal to the carrying value of the asset is recorded on the fund financial statements.

O. Unamortized Bond Issuance Costs

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets. On the governmental fund financial statements, bond issue costs are recorded as expenditures when incurred.

P. Estimates

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

Q. Interfund Activity

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 basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. In addition, the District has reclassified the unclaimed monies from a private-purpose trust fund to the general fund to properly report the intended purpose of this fund. These fund reclassifications had the following effect on the District's governmental fund balances and net assets as previously reported:

	General	Debt Service	Nonmajor Governmental	Total Governmental
Fund balance (deficit) at June 30, 2010	\$ (1,224,376)	\$ 650,835	\$ (87,482)	\$ (661,023)
Fund reclassifications:				
Public school support fund	49,050	-	(49,050)	-
Special enterprise	4,456	-	(4,456)	-
Unclaimed monies fund	2,046	-	-	2,046
Total fund reclassifications	55,552	-	(53,506)	2,046
Restated fund balance (deficit) at July 1, 2010	\$ (1,168,824)	\$ 650,835	\$ (140,988)	\$ (658,977)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The unclaimed monies fund reclassification had the following effect on net assets at June 30, 2011:

	Governmental Activities	Private-Purpose Trust
Fund balance at June 30, 2010	\$ 6,655,240	\$ 34,822
Reclassification of unclaimed monies fund	2,046	(2,046)
Restated fund balance at July 1, 2010	\$ 6,657,286	\$ 32,776

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
General	\$ 1,330,660
 <u>Nonmajor governmental funds</u>	
Food service	14,518
District managed student activity	87,127
Management information systems	1,290
Education jobs	1,446
Early childhood special education, IDEA	28
Title II-A, improving teacher quality	371

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

D. Compliance

- i.* The District had appropriations over resources in the general fund, the district managed activity fund and the improving teacher quality fund at June 30, 2011 in noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39.
- ii.* The District had negative fund balances on a cash-basis at June 30, 2011 in the district managed activity fund and the improving teacher quality fund in noncompliance with Ohio Revised Code Section 5705.10.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$125 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$949,599. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$690,233 of the District's bank balance of \$975,308 was exposed to custodial risk as discussed below, while \$285,085 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 949,599
Cash on hand	<u>125</u>
Total	<u>\$ 949,724</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 871,970
Private-purpose trust fund	41,117
Agency fund	<u>36,637</u>
Total	<u>\$ 949,724</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2011, as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Bond retirement fund	Nonmajor governmental funds	<u>\$ 90,467</u>

The primary purpose of the interfund balances is to cover negative cash balances at fiscal year-end. The interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

B. Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers to general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 200,000</u>

During fiscal year 2011, the District transferred \$200,000 from the permanent improvement fund (a nonmajor governmental fund) to the general fund. This transfer was to return the unspent portion of monies transferred from the general fund the permanent improvement fund in fiscal year 2005. The transfer was approved by the District's Board of Education and the Medina County Common Pleas Courts.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Ashland, Lorain and Medina Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$552,399 in the general fund and \$73,862 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$233,528 in the general fund and \$30,577 in the bond retirement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 173,670,430	91.22	\$ 172,961,440	89.98
Commercial/industrial real estate	6,704,470	3.52	7,464,620	3.88
Public utility personal	9,730,410	5.11	11,803,690	6.14
Tangible personal property	<u>288,380</u>	<u>0.15</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 190,393,690</u>	<u>100.00</u>	<u>\$ 192,229,750</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$46.00		\$46.00

NOTE 7 - SHARED SALES TAX REVENUE

During 2007, the voters of Medina County passed an additional one-half percentage tax to be used for capital improvements at all school districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The County then allocates this tax to the school districts within the County based on the student enrollment number. During fiscal year 2011, the District recorded shared sales tax revenue of \$216,742 in the capital grants fund (a nonmajor governmental fund).

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, intergovernmental grants and entitlements, shared sales taxes, and accounts. 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 principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Property taxes	\$ 4,534,264
Accounts	866
Shared sales taxes	49,949
Intergovernmental	<u>568,750</u>
Total	<u>\$ 5,153,829</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS

Capital asset activity for fiscal year 2011 is as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2011</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 363,000	\$ -	\$ -	\$ 363,000
Total capital assets, not being depreciated	<u>363,000</u>	<u>-</u>	<u>-</u>	<u>363,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	816,598	-	-	816,598
Building and improvements	13,435,842	-	-	13,435,842
Furniture, fixtures and equipment	1,343,250	-	-	1,343,250
Vehicles	1,150,549	82,750	(40,489)	1,192,810
Total capital assets, being depreciated	<u>16,746,239</u>	<u>82,750</u>	<u>(40,489)</u>	<u>16,788,500</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(436,924)	(26,332)	-	(463,256)
Building and improvements	(4,304,926)	(454,952)	-	(4,759,878)
Furniture, fixtures and equipment	(955,310)	(135,145)	-	(1,090,455)
Vehicles	(763,297)	(71,175)	36,440	(798,032)
Total accumulated depreciation	<u>(6,460,457)</u>	<u>(687,604)</u>	<u>36,440</u>	<u>(7,111,621)</u>
Governmental activities capital assets, net	<u>\$ 10,648,782</u>	<u>\$ (604,854)</u>	<u>\$ (4,049)</u>	<u>\$ 10,039,879</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 193,740
Special	152,628
Vocational	18,571
<u>Support services:</u>	
Pupil	31,338
Instructional staff	10,446
Administration	116,067
Operations and maintenance	58,033
Pupil transportation	23,213
<u>Operation of non-instructional services:</u>	
Food service operations	20,892
Extracurricular activities	<u>62,676</u>
Total depreciation expense	<u>\$ 687,604</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$101,648. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$27,016 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 32,610
2013	<u>26,856</u>
Total minimum lease payments	59,466
Less: amount representing interest	<u>(4,336)</u>
Total	<u>\$ 55,130</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Series 2001 Refunding Bonds:					
Current Interest Bonds	\$ 3,130,000	\$ -	\$(3,130,000)	\$ -	\$ -
Capital Appreciation Bonds	35,000	-	(35,000)	-	-
Accreted Interest	255,000	-	(255,000)	-	-
Series 2011 Refunding Bonds:					
Current Interest Bonds	-	3,130,000	-	3,130,000	310,000
Capital Lease Obligation	82,146	-	(27,016)	55,130	29,256
Compensated Absences	<u>688,628</u>	<u>224,333</u>	<u>(159,948)</u>	<u>753,013</u>	<u>224,332</u>
Total governmental activities	<u>\$ 4,190,774</u>	<u>\$ 3,354,333</u>	<u>\$(3,606,964)</u>	<u>\$ 3,938,143</u>	<u>\$ 563,588</u>

Capital lease obligations: See Note 10 for detail on the District's capital lease obligations.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2001 School Improvement Refunding Bonds: On April 1, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds (principal \$4,780,000; interest rate ranging from 4.35% to 4.90%; stated maturity December 1, 2019). \$5,225,581 of the issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt, which was called for redemption on December 1, 2004, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in-substance).

The refunding issue was comprised of both current interest bonds, par value \$4,585,000, and capital appreciation bonds, par value \$195,000. On December 1, 2010, the final capital appreciation bond, par value \$35,000, matured at an accreted value of \$290,000. On May 30, 2011, the remaining current interest bonds, par value \$3,130,000, were currently refunded by the Series 2011 School Improvement Refunding Bonds described below. At June 30, 2011, the District has no remaining obligations for the Series 2001 School Improvement Refunding Bonds.

Series 2011 School Improvement Refunding Bonds: On May 30, 2011, the District issued general obligation bonds (Series 2011 School Improvement Refunding Bonds) to refund the callable Series 2001 School Improvement Refunding Bond. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The current refunding issue is comprised of current interest bonds, par value \$3,130,000. The interest rate on the current interest bonds is 3.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated on the issue is December 1, 2019.

Principal and interest requirements to retire Series 2011 School Improvement Refunding Bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending	Current Interest Bonds		
	Principal	Interest	Total
June 30			
2012	\$ 310,000	\$ 89,511	\$ 399,511
2013	320,000	79,800	399,800
2014	325,000	70,125	395,125
2015	335,000	60,225	395,225
2016	345,000	50,025	395,025
2017 - 2020	1,495,000	91,425	1,586,425
Total	<u>\$ 3,130,000</u>	<u>\$ 441,111</u>	<u>\$ 3,571,111</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$14,910,844 (including available funds of \$693,766) and an unvoted debt margin of \$192,230.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Insurance

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2011, the District purchased from various insurance carriers general liability insurance, which carried a \$2 million per occurrence/\$4 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and are traditionally funded.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2010.

B. Workers' Compensation

The District pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates. The District does not utilize a third party administrator for premium remittance.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$190,466, \$220,714 and \$144,431, respectively; 21.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$836,840, \$901,811 and \$891,636, respectively; 78.71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$12,971 made by the District and \$9,265 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$42,127, \$34,833 and \$87,257, respectively; 21.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$12,257, \$13,125 and \$11,899, respectively; 21.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$64,372, \$69,370 and \$72,082, respectively; 78.71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 240,654
Net adjustment for revenue accruals	296,736
Net adjustment for expenditure accruals	(614,662)
Net adjustment for other sources/uses	(248,984)
Funds budgeted elsewhere	139
Adjustment for encumbrances	164,281
GAAP basis	\$ (161,836)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the public school support fund and the community services fund. In addition, the unclaimed monies fund is legally budgeted as a separate private-purpose trust fund but is considered part of the general fund on a GAAP basis.

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 - SET-ASIDES

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - SET-ASIDES - (Continued)

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	224,506	224,506
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(123,877)	(133,346)
Excess qualified expenditures from prior years	(411,038)	-
Current year offsets	-	(91,160)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (310,409)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had current year qualifying disbursements and excess qualified expenditures from prior years that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year.

The District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 61,908
Other governmental	<u>43,941</u>
Total	<u>\$ 105,849</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 20 - FISCAL CAUTION

On February 8, 2011, the District was declared to be in a state of "Fiscal Caution" by the Auditor of State. In accordance with this law, within sixty days of the Auditor's declaration of fiscal caution, the Board of Education of the District had to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the District's current operating deficit and avoid future deficits. The plan was submitted on December 21, 2011 and the District projects a general fund fund balance of approximately \$517,000.

SUPPLEMENTARY DATA

**BLACK RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(D) (G) School Breakfast Program	10.553	2011	\$ 54,661	\$ 54,661
Total School Breakfast Program			<u>54,661</u>	<u>54,661</u>
(D) (G) National School Lunch Program	10.555	2011	192,390	192,390
(C) (D) National School Lunch Program - Food Donation	10.555	2011	20,156	20,156
Total National School Lunch Program			<u>212,546</u>	<u>212,546</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>267,207</u>	<u>267,207</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(E) Title I Grants to Local Educational Agencies	84.010	2010	97,667	102,144
(E) Title I Grants to Local Educational Agencies	84.010	2011	193,309	172,005
Total Title I Grants to Local Educational Agencies			<u>290,976</u>	<u>274,149</u>
(E) (H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	(3,399)	10,530
(E) (H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	57,835	40,336
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>54,436</u>	<u>50,866</u>
Total Title I Grant Cluster			<u>345,412</u>	<u>325,015</u>
Special Education Grant Cluster:				
(F) Special Education _Grants to States	84.027	2010	47,358	47,833
(F) Special Education _Grants to States	84.027	2011	299,875	299,785
Total Special Education _Grants to States			<u>347,233</u>	<u>347,618</u>
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	30,576	51,914
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	140,733	140,733
Total ARRA - Special Education Grants to States, Recovery Act			<u>171,309</u>	<u>192,647</u>
(F) (H) Special Education _Preschool Grants	84.173	2010	(9)	-
(F) (H) Special Education _Preschool Grants	84.173	2011	3,476	3,476
Total Special Education _Preschool Grants			<u>3,467</u>	<u>3,476</u>
(F) (H) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	3,956	269
(F) (H) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011	3,791	3,791
Total ARRA - Special Education - Preschool Grants, Recovery Act			<u>7,747</u>	<u>4,060</u>
Total Special Education Grant Cluster			<u>529,756</u>	<u>547,801</u>
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	(437)	-
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	437	-
Total Safe and Drug-Free Schools and Communities_State Grants			<u>-</u>	<u>-</u>
Educational Technology State Grants	84.318	2010	920	4,005
Educational Technology State Grants	84.318	2011	1,413	1,413
Total Educational Technology State Grants			<u>2,333</u>	<u>5,418</u>
Improving Teacher Quality State Grants	84.367	2010	63,220	70,932
Improving Teacher Quality State Grants	84.367	2011	54,347	68,751
Total Improving Teacher Quality State Grants			<u>117,567</u>	<u>139,683</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	-	132,933
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	598,774	598,774
Total ARRA - State Fiscal Stabilization Fund (SFSF), Recovery Act			<u>598,774</u>	<u>731,707</u>
Total U.S. Department of Education			<u>1,593,842</u>	<u>1,749,624</u>
Total Federal Financial Assistance			<u>\$ 1,861,049</u>	<u>\$ 2,016,831</u>

-Continued

**BLACK RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Included as part of "Title I Grant Cluster" in determining major programs.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	3,399	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		3,399
Special Education_Preschool Grants	84.173	2010	9	
Special Education_Preschool Grants	84.173	2011		9
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	437	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011		437
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	506	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011		506
Totals			<u>\$ 4,351</u>	<u>\$ 4,351</u>



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District, Medina County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Black River Local School District's basic financial statements and have issued our report thereon dated December 26, 2011. We noted that the Black River Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Black River Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Black River Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Black River Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2011-BRLSD-001 through 2011-BRLSD-003.

We also noted certain matters not requiring inclusion in this report that we reported to the management of the Black River Local School District in a separate letter dated December 26, 2011.

Black River Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Black River Local School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Board of Education of the Black River Local School District, federal awarding agencies and pass-through entities, and others within the Black River Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 26, 2011



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**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Black River Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Black River Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Black River Local School District's major federal programs. The Black River Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Black River Local School 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Black River Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Black River Local School District's compliance with those requirements.

In our opinion, the Black River Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The Black River Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Black River Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Black River Local School District's internal control over compliance.

Board of Education
Black River Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Black River Local School District, federal awarding agencies and pass-through entities, and others within the Black River Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 26, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education - Grants to States, CFDA #84.027, ARRA - Special Education - Grants to States, Recovery Act, CFDA #84.391, Special Education - Preschool Grants, CFDA #84.173 and ARRA - Special Education - Preschool Grants, Recovery Act, CFDA #84.392 and ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-BRLSD-001

Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the fiscal year or at fiscal year end. House Bill No. 276 enacted in April, 2007, permitted temporary deficits in school district special funds if state payments to cover the deficits are pending and the unspent and unencumbered balance in the District's general fund exceeds the aggregate deficit amounts.

The District maintained a negative cash fund balance and did not meet the requirements of House Bill No. 276 in the following funds at June 30, 2011:

<u>June 30, 2011</u>	<u>Amount</u>
<u>Nonmajor Governmental Funds:</u>	
District Managed Activity	\$ 76,063
Improving Teacher Quality	14,404

By having a negative fund balance, these funds have spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval. We recommend the District utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

Client Response: The District will be diligent in monitoring fund balances.

Finding Number	2011-BRLSD-002
----------------	----------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

At June 30, 2011, the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
<u>Major Fund:</u>			
General Fund	\$ 11,736,863	\$11,593,747	\$143,116
<u>Nonmajor Governmental Funds:</u>			
District Managed Activity	185,595	109,532	76,063
Improving Teacher Quality	179,869	165,465	14,404

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-BRLSD-002 - (Continued)

With appropriations exceeding estimated resources, the District is appropriating monies that are either not in the Treasury, process of collection or have been properly certified to the Budget Commission then a fund deficit could occur.

We recommend that the District comply with the Ohio Revised Code monitoring appropriations so they do not exceed estimated revenue. This may be achieved by monitoring the budget more closely on a continued basis and amending estimated resources or appropriations as necessary.

Client Response: The District will more closely monitor the budget and amend estimated resources and appropriations as needed.

Finding Number	2011-BRLSD-003
----------------	----------------

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased amended certificates of estimated resources if the legislative authority intends to appropriate and expend excess revenue.

Throughout the fiscal year the District had appropriations exceeding estimated resources. Thus, the District did not request enough amended certificates throughout the year or by fiscal year end upon notice of increased or decreased resources in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District will review available resources versus appropriations throughout the year and file amended certificates as needed.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-BRLSD-001	Misstatements in the financial statements for the fiscal year under audit were not initially identified by the District's internal controls.	Yes	N/A
2010-BRLSD-002	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	Yes	N/A
2010-BRLSD-003	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A
2010-BRLSD-004	Ohio Revised Code Section 5705.10 requires that on a cash basis, no fund shall have a negative fund balance during the fiscal year or at fiscal year end.	No	Repeated as citation 2011-BRLSD-001
2010-BRLSD-005	Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed estimated resources.	No	Repeated as citation 2011-BRLSD-002
2010-BRLSD-006	Ohio Revised Code Section 5705.36 requires subdivisions to request increased amended certificates of estimated resources if the legislative authority intends to appropriate and expend excess revenue.	No	Repeated as citation 2011-BRLSD-003



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 20, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 26, 2011



Dave Yost • Auditor of State

BLACK RIVER LOCAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2012**