

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2010***

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 Auditor's Report* of the Black River Local School District, Medina County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. 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

March 21, 2011

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances/(Deficits) - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	17
Statement of Fiduciary Net Assets - Fiduciary Funds	18
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	19
Notes to the Basic Financial Statements.....	20 - 47
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	49 - 50
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	51 - 52
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i>	53 - 59



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's 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, 2010, 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 those 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District, as of June 30, 2010, and the respective changes in financial position thereof and the respective 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.

The accompanying basic financial statements have been prepared assuming that the Black River Local School District will continue as a going concern. As described in Note 19 to the basic financial statements, the District has been suffering a declining general fund balance due to expenditures exceeding revenues and ended 2010 with a cash deficit and is projecting a deficit general fund cash balance at the end of fiscal year 2011, which raises substantial doubt about its going concern. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 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 Auditor's Report
Black River Local School District
Page Two

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

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

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

Julian & Grube, Inc.
January 27, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities decreased \$229,274 which represents a 3.33% decrease from 2009.
- General revenues and extraordinary items accounted for \$12,875,400 in revenue or 80.62% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$3,095,639 or 19.38% of total revenues of \$15,971,039.
- The District had \$16,200,313 in expenses related to governmental activities; only \$3,095,639 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues and extraordinary items supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,875,400 were not adequate to provide for these programs.
- The District's major governmental funds are the general, bond retirement, and replacement funds. The general fund had \$12,276,073 in revenues, other financing sources and extraordinary items and \$13,090,759 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance decreased \$814,686 from a deficit of \$409,690 to a deficit of \$1,224,376.
- One of the District's other major governmental funds is the bond retirement fund. The bond retirement fund had \$539,005 in revenues and \$805,214 in expenditures. During fiscal year 2010, the bond retirement fund's fund balance decreased \$266,209 from \$917,044 to \$650,835.
- One of the District's other major governmental funds is the replacement fund. The replacement fund had \$289,178 in extraordinary insurance proceeds. During fiscal year 2010, the replacement fund's fund balance increased from a deficit of \$289,178 to a balance of zero.

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 non-major funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and the replacement 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, 2010

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 2010?" 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. The accrual 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 whether, 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 of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 11-12 of this report.

Reporting the District's Most Significant Funds *Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 7. 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, debt service fund and replacement 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* 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 13-17 of this report.

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 18 and 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 20-47 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current assets	\$ 6,210,696	\$ 6,376,368
Capital assets, net	<u>10,648,782</u>	<u>11,030,044</u>
Total assets	<u>16,859,478</u>	<u>17,406,412</u>
<u>Liabilities</u>		
Current liabilities	6,013,464	5,793,591
Long-term liabilities	<u>4,190,774</u>	<u>4,728,307</u>
Total liabilities	<u>10,204,238</u>	<u>10,521,898</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	7,401,636	7,051,258
Restricted	1,270,819	622,069
Unrestricted (deficit)	<u>(2,017,215)</u>	<u>(788,813)</u>
Total net assets	<u>\$ 6,655,240</u>	<u>\$ 6,884,514</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010 the District's assets exceeded liabilities by \$6,655,240.

At year-end, capital assets represented 63.14% 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, 2010, were \$7,401,636. 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, \$1,270,819, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of \$2,017,215.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Governmental Activities

Net assets of the District's governmental activities decreased \$229,274. Total governmental expenses of \$16,200,313 were offset by program revenues of \$3,095,639 and general revenues and extraordinary items of \$12,481,402 and \$393,998, respectively. Program revenues and extraordinary items supported 19.11% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 77.88% of total governmental revenue. Real estate property is reappraised every six years. However, Black River is comprised of parts of three (3) counties and one county is either reappraised or updated every year.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 7,359,692	\$ 7,123,048	\$ 7,658,654	\$ 7,442,226
Special	2,088,322	780,714	2,054,138	1,178,567
Vocational	60,870	60,870	174,445	174,445
Other	2,344	2,344	0	0
Support services:				
Pupil	758,206	547,028	776,053	720,186
Instructional staff	663,705	451,519	686,672	597,133
Board of education	31,989	31,989	45,276	45,276
Administration	1,236,568	1,147,631	1,283,295	1,257,562
Fiscal	337,460	337,460	437,168	437,168
Business	26,901	26,901	30,200	29,028
Operations and maintenance	1,069,752	1,069,752	837,318	837,318
Pupil transportation	1,041,836	838,616	1,220,692	1,202,127
Central	31,951	(28,566)	37,895	23,895
Operations of non-instructional services:				
Food service operations	495,213	1,362	553,875	46,195
Other non-instructional services	0	(494)	0	0
Extracurricular activities	642,492	361,488	626,903	361,170
Interest and fiscal charges	353,012	353,012	310,710	310,710
Total expenses	\$ 16,200,313	\$ 13,104,674	\$ 16,733,294	\$ 14,663,006

The dependence upon tax and other general revenues for governmental activities is apparent, 83.76% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.89%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 13) reported a combined fund deficit of \$661,023, which is lower than last year's balance of \$139,834. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance/(Deficit) June 30, 2010	Fund Balance/(Deficit) June 30, 2009	Increase/ (Decrease)
General	\$ (1,224,376)	\$ (409,690)	\$ (814,686)
Debt Service	650,835	917,044	(266,209)
Replacement	-	(289,178)	289,178
Other Governmental	(87,482)	(78,342)	(9,140)
Total	\$ (661,023)	\$ 139,834	\$ (800,857)

General Fund

The District's general fund's fund balance decreased by \$814,686.

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

	2010 Amount	2009 Amount	Increase/ Decrease	Percentage Change
<u>Revenues</u>				
Taxes	\$ 3,668,219	\$ 3,822,307	\$ (154,088)	(4.03) %
Tuition	245,347	210,646	34,701	16.47 %
Earnings on investments	34,538	107,166	(72,628)	(67.77) %
Intergovernmental	8,035,601	8,413,440	(377,839)	(4.49) %
Other revenues	74,769	56,254	18,515	32.91 %
Total	\$ 12,058,474	\$ 12,609,813	\$ (551,339)	(4.37) %
<u>Expenditures</u>				
Instruction	\$ 8,172,558	\$ 8,699,723	\$ (527,165)	(6.06) %
Support services	4,439,872	5,040,859	(600,987)	(11.92) %
Operation of non-instructional services	1,835	251	1,584	631.08 %
Extracurricular activities	213,896	175,075	38,821	22.17 %
Debt service	63,174	18,467	44,707	242.09 %
Total	\$ 12,891,335	\$ 13,934,375	\$ (1,043,040)	(7.49) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Revenues of the general fund decreased \$551,339 or 4.37%. The most significant decrease (in terms of total dollars lost) was in the area of intergovernmental revenue. Intergovernmental revenues decreased \$377,839 or 4.49%. This decrease can primarily be attributed to the State of Ohio replacing approximately 6% of the district's foundation funding with Federal State Fiscal Stabilization Funds.

Expenditures of the general fund decreased \$1,043,040 or 7.49%. The most significant decreases were in the areas of instruction and support services. Instruction and support services decreased \$527,165 and \$600,987, respectively. These decreases can be attributed to the reduction in force which was implemented at the end of fiscal year 2009 as well as the shifting of some wage and benefit expenses to fund 532 – State Fiscal Stabilization Fund.

Bond Retirement Fund

The bond retirement fund had \$539,005 in revenues and \$805,214 in expenditures. During fiscal year 2010 the bond retirement fund's fund balance decreased \$266,209 from \$917,044 to \$650,835.

Replacement Fund

The replacement fund had \$289,178 in insurance proceeds. During fiscal year 2010 the replacement fund's fund balance increased from a deficit of \$289,178 to a balance of zero.

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 2010 the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$12,864,179, which was lower than the original budgeted revenues estimate of \$13,603,611. Actual revenues and other financing sources for fiscal year 2010 were \$12,864,179, which was equal to the final budget estimated resources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,201,271 were increased to \$13,347,979 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$13,536,995.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010 the District had \$10,648,782 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following table shows fiscal year 2010 balances compared to 2009.

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

	Governmental Activities 2010	Governmental Activities 2009
Land	\$ 363,000	\$ 363,000
Land improvements	379,674	441,296
Building and improvements	9,130,916	9,524,246
Furniture and equipment	387,940	387,555
Vehicles	387,252	313,947
Total	\$ 10,648,782	\$ 11,030,044

The overall decrease in capital assets of \$381,262 is due to depreciation expense of \$620,062 and disposals of \$18,370 (net of accumulated depreciation) exceeding capital outlay of \$257,170 during the fiscal year.

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

Debt Administration

At June 30, 2010 the District had \$3,502,146 in general obligation bonds and capital lease obligations outstanding. Of this total, \$317,015 is due within one year and \$3,185,131 is due within greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt at Year End

	Governmental Activities 2010	Governmental Activities 2009
General obligation bonds and capital appreciation bonds		
1994 improvement bonds	\$ 0	\$ 342,961
2001 refunding bonds	3,420,000	3,599,201
Capital lease obligation	82,146	36,624
Total	\$ 3,502,146	\$ 3,978,786

The improvement bonds were received in 1994. These bonds consisted of capital appreciation bonds and matured in fiscal year 2010. Payment of principal and interest on the 1994 improvement bonds were made from the debt service fund.

The refunding bonds were received in 2001. These bonds are scheduled to mature in fiscal year 2020 and bear interest rates ranging from 4.35% to 4.90%. Payment of principal and interest on the 2001 refunding bonds are being made from the debt service fund.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 62% 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 a 1% earned income tax issue on November 2, 2010.

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.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 1,032,851
Receivables:	
Taxes.	4,860,447
Accounts.	509
Intergovernmental	271,085
Accrued interest	640
Prepayments	32,880
Materials and supplies inventory.	12,284
Capital assets:	
Land	363,000
Depreciable capital assets, net.	10,285,782
Capital assets, net	<u>10,648,782</u>
 Total assets.	 <u>16,859,478</u>
Liabilities:	
Accounts payable.	227,745
Accrued wages and benefits	1,380,314
Intergovernmental payable	382,956
Deferred revenue	4,022,449
Long-term liabilities:	
Due within one year.	417,576
Due in more than one year	3,773,198
 Total liabilities	 <u>10,204,238</u>
Net Assets:	
Invested in capital assets, net of related debt.	7,401,636
Restricted for:	
Capital projects	397,710
Debt service.	715,734
Public school support	49,050
State funded programs	19,658
Federal funded programs	45,986
Other purposes	42,681
Unrestricted (deficit)	<u>(2,017,215)</u>
 Total net assets	 <u>\$ 6,655,240</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, 2010

	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	\$ 7,359,692	\$ -	\$ 230,666	\$ 5,978	\$ (7,123,048)
Special	2,088,322	245,347	1,062,261	-	(780,714)
Vocational	60,870	-	-	-	(60,870)
Other	2,344	-	-	-	(2,344)
Support services:					
Pupil.	758,206	-	211,178	-	(547,028)
Instructional staff	663,705	-	128,174	84,012	(451,519)
Board of education	31,989	-	-	-	(31,989)
Administration.	1,236,568	-	88,937	-	(1,147,631)
Fiscal.	337,460	-	-	-	(337,460)
Business.	26,901	-	-	-	(26,901)
Operations and maintenance	1,069,752	-	-	-	(1,069,752)
Pupil transportation.	1,041,836	14,230	71,766	117,224	(838,616)
Central	31,951	-	60,517	-	28,566
Operation of non-instructional services:					
Food service operations	495,213	483,064	10,787	-	(1,362)
Other non-instructional services	-	-	494	-	494
Extracurricular activities.	642,492	281,004	-	-	(361,488)
Interest and fiscal charges	353,012	-	-	-	(353,012)
Totals	\$ 16,200,313	\$ 1,023,645	\$ 1,864,780	\$ 207,214	(13,104,674)
General Revenues:					
Property taxes levied for:					
General purposes					3,849,746
Debt service.					476,852
Grants and entitlements not restricted to specific programs					8,116,016
Investment earnings					34,538
Miscellaneous					4,250
Total general revenues					12,481,402
Extraordinary items.					393,998
Total general revenues, after extraordinary items					12,875,400
Change in net assets					(229,274)
Net assets at beginning of year					6,884,514
Net assets at end of year					\$ 6,655,240

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ -	\$ 620,258	\$ 374,366	\$ 994,624
Receivables:				
Taxes	4,389,970	470,477	-	4,860,447
Accounts	509	-	-	509
Intergovernmental	-	-	271,085	271,085
Accrued interest	640	-	-	640
Interfund receivable	27,334	-	-	27,334
Loans receivable	342,688	-	-	342,688
Prepayments	32,880	-	-	32,880
Materials and supplies inventory	-	-	12,284	12,284
Due from other funds	2,067	-	401,373	403,440
Equity in pooled cash and investments	38,225	-	-	38,225
Total assets	\$ 4,834,313	\$ 1,090,735	\$ 1,059,108	\$ 6,984,156
Liabilities:				
Accounts payable	\$ 56,889	\$ -	\$ 170,856	\$ 227,745
Accrued wages and benefits	1,103,822	-	276,492	1,380,314
Compensated absences payable	68,293	-	-	68,293
Intergovernmental payable	271,230	-	111,726	382,956
Interfund payable	-	-	27,334	27,334
Loans payable	-	-	342,688	342,688
Due to other funds	401,373	-	2,067	403,440
Deferred revenue	4,157,082	439,900	215,427	4,812,409
Total liabilities	6,058,689	439,900	1,146,590	7,645,179
Fund Balances:				
Reserved for encumbrances	132,128	-	129,814	261,942
Reserved for property tax unavailable for appropriation	233,528	30,577	-	264,105
Reserved for prepayments	32,880	-	-	32,880
Reserved for materials and supplies inventory	-	-	12,284	12,284
Reserved for debt service	-	620,258	-	620,258
Reserved for loans	342,688	-	-	342,688
Reserved for BWC refunds	38,225	-	-	38,225
Unreserved, undesignated, (deficit) reported in:				
General fund	(2,003,825)	-	-	(2,003,825)
Special revenue funds	-	-	(599,647)	(599,647)
Capital projects funds	-	-	370,067	370,067
Total fund balances	(1,224,376)	650,835	(87,482)	(661,023)
Total liabilities and fund balances	\$ 4,834,313	\$ 1,090,735	\$ 1,059,108	\$ 6,984,156

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, 2010

Total governmental fund balances		\$	(661,023)
<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.			10,648,782
Federal donated commodities are not reported in the funds.			
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	217,834	
Intergovernmental receivable		572,128	
Total			789,962
Long-term liabilities, including bonds, capital lease, and compensated absences not due in the current period and therefore are not reported in the funds.			
Capital Lease obligation		(82,146)	
Capital Appreciation Bonds		(3,420,000)	
Compensated absences		(620,335)	
Total			(4,122,481)
Net assets of governmental activities		\$	6,655,240

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/(DEFICITS)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Replacement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 3,668,219	\$ 463,468	\$ -	\$ -	\$ 4,131,687
Tuition	245,347	-	-	30,447	275,794
Earnings on investments	34,538	-	-	-	34,538
Charges for services	-	-	-	202,310	202,310
Extracurricular	-	-	-	256,850	256,850
Other local revenues	74,769	-	-	29,316	104,085
Intergovernmental	8,035,601	75,537	-	2,109,096	10,220,234
Total revenue	<u>12,058,474</u>	<u>539,005</u>	<u>-</u>	<u>2,628,019</u>	<u>15,225,498</u>
Expenditures:					
Current:					
Instruction:					
Regular	7,046,397	-	-	279,759	7,326,156
Special	1,042,467	-	-	898,392	1,940,859
Vocational	83,694	-	-	619	84,313
Other	-	-	-	2,344	2,344
Support services:					
Pupil	608,049	-	-	129,642	737,691
Instructional staff	427,881	-	-	238,806	666,687
Board of education	29,503	-	-	2,486	31,989
Administration	1,039,555	-	-	104,109	1,143,664
Fiscal	367,095	8,674	-	286	376,055
Business	26,901	-	-	-	26,901
Operations and maintenance	971,431	-	-	43,537	1,014,968
Pupil transportation	915,219	-	-	244,063	1,159,282
Central	54,238	-	-	49,299	103,537
Food service operations	-	-	-	471,820	471,820
Other non-instructional services	1,835	-	-	-	1,835
Extracurricular activities	213,896	-	-	371,421	585,317
Debt service:					
Principal retirement	56,126	650,000	-	-	706,126
Interest and fiscal charges	7,048	146,540	-	-	153,588
Total expenditures	<u>12,891,335</u>	<u>805,214</u>	<u>-</u>	<u>2,836,583</u>	<u>16,533,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(832,861)</u>	<u>(266,209)</u>	<u>-</u>	<u>(208,564)</u>	<u>(1,307,634)</u>
Other financing sources (uses):					
Sale/loss of assets	11,131	-	-	-	11,131
Transfers in	-	-	-	199,424	199,424
Transfers (out)	(199,424)	-	-	-	(199,424)
Capital lease transaction	101,648	-	-	-	101,648
Total other financing sources (uses)	<u>(86,645)</u>	<u>-</u>	<u>-</u>	<u>199,424</u>	<u>112,779</u>
Extraordinary item:					
Insurance recoveries	104,820	-	289,178	-	393,998
Net change in fund balances	(814,686)	(266,209)	289,178	(9,140)	(800,857)
Fund balances/(deficits) at beginning of year	(409,690)	917,044	(289,178)	(78,342)	139,834
Fund balances/(deficits) at end of year	\$ (1,224,376)	\$ 650,835	\$ -	\$ (87,482)	\$ (661,023)

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, 2010

Net change in fund balances - total governmental funds	\$	(800,857)
<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.		
Capital asset additions	\$ 257,170	
Depreciation expense	<u>(620,062)</u>	
Total		(362,892)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals, sales, trade-ins, and donations) is to decrease net assets.		
		(18,370)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(159,383)	
Intergovernmental	<u>506,402</u>	
Total		347,019
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		706,126
Proceeds of capital lease transactions are recorded as other financing sources in the funds however, on the statement of activities, the proceeds increase the liabilities on the statement of net assets.		
		(101,648)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following resulted in additional interest being reported on the statement of activities:		
Accreted interest on "capital appreciation" bonds		(127,838)
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 the governmental funds.		
		<u>129,186</u>
Change in net assets of governmental activities	\$	<u><u>(229,274)</u></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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Local Taxes	\$ 3,699,215	\$ 4,065,168	\$ 4,065,168	\$ -
Intergovernmental	8,416,448	8,035,601	8,035,601	-
Interest	102,277	38,672	38,672	-
Tuition and Fees	211,208	245,347	245,347	-
Rent	8,816	8,843	8,843	-
Gifts and Donations	3,200	1,259	1,259	-
Customer Sales and Services	2,000	2,985	2,985	-
Miscellaneous	28,430	56,173	56,173	-
Total revenue	<u>12,471,594</u>	<u>12,454,048</u>	<u>12,454,048</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,536,405	7,108,437	7,194,543	(86,106)
Special	1,037,580	1,100,707	1,114,039	(13,332)
Vocational	92,202	97,865	99,050	(1,185)
Support services:				
Pupil	606,203	652,853	660,761	(7,908)
Instructional staff	445,470	479,783	485,594	(5,811)
Board of education	25,811	29,150	29,503	(353)
Administration	984,861	1,049,002	1,061,709	(12,707)
Fiscal	305,200	365,311	369,735	(4,424)
Business	26,849	26,579	26,901	(322)
Operations and maintenance	930,613	1,031,188	1,043,679	(12,491)
Pupil transportation	892,082	979,961	991,831	(11,870)
Central	14,566	15,575	15,764	(189)
Operation of non-instructional services	1,133	1,813	1,835	(22)
Extracurricular activities	187,219	212,717	215,293	(2,576)
Total expenditures	<u>12,086,194</u>	<u>13,150,941</u>	<u>13,310,237</u>	<u>(159,296)</u>
Excess of expenditures over revenues	<u>385,400</u>	<u>(696,893)</u>	<u>(856,189)</u>	<u>(159,296)</u>
Other financing sources (uses):				
Transfers (out)	(115,077)	(197,038)	(199,424)	(2,386)
Advances in	379,923	294,182	294,182	-
Advances (out)	-	-	(27,334)	(27,334)
Sale of capital assets	2,094	11,131	11,131	-
Insurance Proceeds	750,000	104,818	104,818	-
Total other financing sources (uses)	<u>1,016,940</u>	<u>213,093</u>	<u>183,373</u>	<u>(29,720)</u>
Net change in fund balance	1,402,340	(483,800)	(672,816)	(189,016)
Fund balance at beginning of year	(17,133)	(17,133)	(17,133)	-
Prior year encumbrances appropriated	117,163	117,163	117,163	-
Fund balance at end of year	<u>\$ 1,502,370</u>	<u>\$ (383,770)</u>	<u>\$ (572,786)</u>	<u>\$ (189,016)</u>

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, 2010

	Private Purpose Trust Scholarship	Agency
Assets:		
Equity in pooled cash and investments.	\$ 34,761	\$ 34,095
Receivables:		
Accrued interest.	61	-
Total current assets	34,822	34,095
 Liabilities:		
Accounts payable.	-	1,546
Due to students.	-	32,549
Total liabilities	-	\$ 34,095
 Net assets:		
Held in trust for scholarships	34,822	
Total net assets	\$ 34,822	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 513
Gifts and contributions.	700
Miscellaneous.	1,791
Total additions.	3,004
Deductions:	
Scholarships awarded	2,234
Change in net assets.	770
Net assets at beginning of year	34,052
Net assets at end of year.	\$ 34,822

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, 2010

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 currently operates 1 comprehensive school, serving grades K through 8, and 1 high school. The District employs 64 non-certified and 121 certified (including administrative) full-time and part-time employees to provide services to approximately 1,515 students in grades K through 12 and various community groups, which ranks it 358th out of approximately 905 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) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do 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, food 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 have access to 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. 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, 2010

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

The Medina County Career Center 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 Medina County Career Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 does not have proprietary funds.

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 all financial resources except those required to be accounted for 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.

Debt Service - A fund provided for the retirement of bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans shall be paid into this fund.

Replacement - A fund provided to account monies used in the rebuilding, restoration or improvement of property which has been totally or partially destroyed due to any cause.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities, (b) for grants and other resources whose use is restricted to a particular purpose; and (c) for food service operations.

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 fund is a private-purpose trust which accounts 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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 reconciliations 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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.

Non-exchange 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.

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.

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

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are also recorded as deferred revenue.

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 used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as donated commodities 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable 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 express 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.
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 June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as 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 amounts reported in the budgetary statement reflect the amounts set forth in the original and final Certificate of Estimated Resources issued for fiscal year 2010.
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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 total.
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. Appropriation 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 during fiscal year 2010. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 2010 investments were limited to negotiable certificates of deposits and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$34,538, which includes \$17,959 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 and fund 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 fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve 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 related to government 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions 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.

All reported capital assets except land and construction in progress 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>	<u>Governmental Activities 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 fund financial statements, receivables and payables to cover deficit cash balances are classified as "due to/from other funds". Receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Receivables and payables resulting from long-term interfund loans are classified as "loans receivable/payable". These amounts are eliminated in the governmental activities column on the 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, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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 and capital leases 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 are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies, prepayments, property tax unavailable for appropriation, debt service, loans and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for BWC refunds and community services.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

O. 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.

P. Restricted Assets

Restricted assets in general fund represent cash and cash equivalents that are restricted in use by State statute. See Note 18 for details.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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.

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 District's Administration and that are either unusual in nature or infrequent in occurrence. Significant damage from a severe tornado in 2007 resulted in insurance recoveries during 2010 that are presented as an extraordinary item on the financial statements. There were no special items during 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$1,224,376
 <u>Nonmajor Funds</u>	
Food Service	45,593
Other Grants	8,316
District Managed Student Activity	84,610
Ohio Reads	3,179
Special Education, Part B-IDEA	190,825
State Fiscal Stabilization	87,593
Title I, Disadvantaged Children/Targeted Assistance	163,591
Early Childhood Special Education, IDEA	5,641
Title II-A, Improving Teacher Quality	14,994

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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 for the nonmajor governmental funds resulted from adjustments for accrued liabilities. The deficit fund balance for the general fund resulted from a cash-basis deficit and adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30. The general fund did not comply with State law, which does not permit a cash-basis at fiscal year end.

C. Compliance

- i.* The District had appropriations over resources in the general fund at June 30, 2010 in noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39.
- ii.* The District had expenditures over appropriations at June 30, 2010 in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.
- iii.* The District had negative fund balances on a cash-basis at June 30, 2010 in the general fund and early childhood special education, IDEA fund in noncompliance with Ohio Revised Code Section 5705.10.
- iv.* 31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months of year end. In fiscal year 2009, the District did not file their reporting packet until July 2010.

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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 investment pool (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.

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 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 investments."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$925,043. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$250,000 of the District's bank balance of \$939,795 was exposed to custodial risk as discussed below, while \$689,795 was covered by the Federal Deposit Insurance Corporation.

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.

C. Investments

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CD's	\$ 176,539	\$ -	\$ -	\$ -	\$ 105,450	\$ 71,089

The weighted average maturity of investments is 2.22 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. Negotiable certificates of deposits were the only investment type held by the District at June 30, 2010:

D. 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, 2010:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 925,043
Investments	176,539
Cash on hand	<u>125</u>
Total	<u>\$ 1,101,707</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,032,851
Private-purpose trust fund	34,761
Agency fund	<u>34,095</u>
Total	<u>\$ 1,101,707</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 2,067
Other governmental funds	General fund	401,373

The primary purpose of the due to/from other funds is to cover negative cash 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 balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 27,334

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

- C. Loans to/from other funds consisted of the following at June 30, 2010, as reported on the fund financial statements. The underlying loans were made in a prior year and have not been repaid as of June 30, 2010.

<u>Receivable Fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 342,688

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- D. Interfund transfers for the fiscal year ended June 30, 2010, consisted of the following, as reported on the fund statements:

<u>Transfers from General fund to:</u>	<u>Amount</u>
Other governmental funds	\$ 199,424

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds will be eliminated on the government-wide financials.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property) represents the collection of 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. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Medina, Ashland, and Lorain Counties. These 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date tax bills are sent. The amount available as an advance at June 30, 2010 was \$233,528 in the general fund and \$30,577 in the bond retirement fund. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2009 was \$630,477 in the general fund and \$106,693 in the bond retirement fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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 a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and public utility/minerals real estate	\$ 172,528,040	89.70	\$ 173,670,430	91.22
Commercial/industrial real estate	6,585,980	3.40	6,704,470	3.52
Public utility personal	11,421,920	5.90	9,730,410	5.11
Tangible personal property	1,789,088	1.00	288,380	.15
Total assessed valuation	<u>\$ 192,325,028</u>	<u>100.00</u>	<u>\$ 190,393,690</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.43		\$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.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. Intergovernmental receivables in the amount of \$271,085 were reported on the statement of net assets. Of this amount, \$48,791 consisted of shared sales tax revenue. A summary of the items of receivables reported on the statement of net assets follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - RECEIVABLES - (Continued)

Governmental Activities:

Property taxes	\$	4,860,447
Intergovernmental		271,085
Accrued interest		640
 Total	 \$	 <u>5,132,172</u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<i>(Restated)</i>			
	<i>Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i>
	<i>June 30, 2009</i>			<i>June 30, 2010</i>
General Fixed Asset Account Group				
Non Depreciable Fixed Assets:				
Land	\$363,000	\$0	\$0	\$363,000
Total Non Depreciable Fixed Assets	363,000	0	0	363,000
Depreciable Fixed Assets:				
Buildings and Improvements	13,435,842	0	0	13,435,842
Furniture, Fixtures and Equipment	1,241,602	101,648	0	1,343,250
Land Improvements	816,598	0	0	816,598
Vehicles	1,157,497	155,522	(162,470)	1,150,549
Total Depreciable Fixed Assets	16,651,539	257,170	(162,470)	16,746,239
 Total Fixed Assets	 17,014,539	 257,170	 (162,470)	 17,109,239
Depreciation				
Buildings and Improvements	(3,911,596)	(393,330)		(4,304,926)
Furniture, Fixtures and Equipment	(854,047)	(101,263)		(955,310)
Land Improvements	(375,302)	(61,622)		(436,924)
Vehicles	(843,550)	(63,847)	144,100	(763,297)
Total Depreciable Fixed Assets	(5,984,495)	(620,062)	144,100	(6,460,457)
 Net - Depreciable Fixed Assets	 10,667,044	 (362,892)	 (18,370)	 10,285,782
 Total Fixed Assets - Net	 \$11,030,044	 \$(362,892)	 \$(18,370)	 \$10,648,782

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$159,069
Special	139,231
Vocational	16,941
Support Services:	
Pupil	28,587
Instructional Staff	9,529
Administration	105,879
Fiscal	10,479
Operations and Maintenance	52,939
Pupil Transportation	21,176
Extracurricular Activities	57,174
Food Services	19,058
Total Depreciation Expense	<u>\$620,062</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2010 and prior fiscal years, the District 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 2010 totaled \$26,064 paid by the general fund. In addition to the amount of principal retired, the District also terminated leases with principal balances of \$30,062.

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, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 32,610
2012	32,610
2013	<u>26,856</u>
Total minimum lease payments	92,076
Less: amount representing interest	<u>(9,930)</u>
Total	<u>\$ 82,146</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	<i>Balance</i>				<i>Balance</i>	Amounts Due in One Year
	<i>6/30/2009</i>	<i>Additions</i>	<i>Deletions</i>	<i>Accretion</i>	<i>6/30/2010</i>	
Series 1994 Capital Bonds	\$82,163	\$0	\$82,163	\$0	0	0
Series 1994 accreted interest	260,798	0	277,837	17,039	0	0
Series 2001 refunding bond	3,130,000	0	0	0	3,130,000	0
Series 2001 capital appreciation bond	80,000	0	45,000	0	35,000	35,000
Series 2001 accreted interest	389,201	0	245,000	110,799	255,000	255,000
Capital lease obligations	36,624	101,648	56,126	0	82,146	27,015
Compensated absences	749,521	47,457	108,351	0	688,628	100,561
Total All Long Term Debt	\$4,728,307	\$149,105	\$814,477	\$127,838	\$4,190,774	\$417,576

Capital lease obligations - Capital lease obligations are paid from the general fund. See Note 10 for details.

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund, the food service fund (a non-major governmental fund) and the title I fund (a non-major governmental fund).

- B. 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 is comprised of both current interest bonds, par value \$4,585,000, and capital appreciation bonds, par value \$195,000. The average interest rate on the current interest bonds is 4.67%. During fiscal year 2010, one capital appreciation bond matured at an accreted value of \$290,000. The remaining capital appreciation bond matures December 2010 (effective interest rate 23.14%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bond is \$290,000. Total accreted interest of \$255,000 has been included on the statement of net assets at June 30, 2010.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2019.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ -	\$ 146,540	\$ 146,540	\$ 35,000	\$ 255,000	\$ 290,000
2012	290,000	140,233	430,233	-	-	-
2013	300,000	127,326	427,326	-	-	-
2014	315,000	113,559	428,559	-	-	-
2015	330,000	98,720	428,720	-	-	-
2016 - 2020	1,895,000	237,916	2,132,916	-	-	-
Total	\$ 3,130,000	\$ 864,294	\$ 3,994,294	\$ 35,000	\$ 255,000	\$ 290,000

D. 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, 2010, are a voted debt margin of \$14,595,313 (including available funds of \$650,835) and an unvoted debt margin of \$190,105.

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 vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)

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 certificated 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.

NOTE 13 - RISK MANAGEMENT

Liability Insurance

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 2010, 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 2009.

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 *Employers/Audit Resources*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current 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 2010, 12.74 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, 2010, 2009 and 2008 were \$220,714, \$144,431 and \$154,381, respectively; 49.53 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

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 Web site at www.strsoh.org.

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 2010, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$901,811, \$891,636 and \$868,367, respectively; 81.08 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$28,086 made by the District and \$20,061 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, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 Chapter 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 2009 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 *Employers/Audit Resources*.

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 2010, 0.46 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 2010, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009 and 2008 were \$34,833, \$87,257 and \$95,927, respectively; 49.53 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, 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, 2010, 2009 and 2008 were \$13,125, \$11,899 and \$11,124, respectively; 49.53 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

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 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 2010, 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, 2010, 2009 and 2008 were \$69,370, \$72,082 and \$66,797, respectively; 81.08 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and
- (e) Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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	\$ (672,816)
Net adjustment for revenue accruals	(395,574)
Net adjustment for expenditure accruals	229,886
Net adjustment for other sources/uses and extraordinary item	(165,198)
Adjustment for encumbrances	<u>189,016</u>
GAAP basis	<u>\$ (814,686)</u>

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 18 - STATUTORY RESERVES

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 year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for BWC refunds. At June 30, 2010, the unspent portions of Bureau of Workers' Compensation refunds continue to be a set-aside for budget stabilization.

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

	Textbooks/ Instructional Materials <u>Reserve</u>	Capital Maintenance <u>Reserve</u>	BWC <u>Refunds</u>	<u>Total</u>
Set-aside balance as of June 30, 2009 (Restated)	\$ (497,345)	\$ -	\$ 38,225	\$ (459,120)
Required Set-Aside for FY2010	256,542	256,542	-	513,084
Current Year Offset	-	(289,178)	-	(289,178)
FY2010 Qualifying Disbursements	<u>(170,235)</u>	<u>(145,095)</u>	<u>-</u>	<u>(315,330)</u>
Set-Aside Balance at June 30, 2010	<u>(411,038)</u>	<u>(177,731)</u>	<u>38,225</u>	<u>(550,544)</u>
Balance carried forward to fiscal year 2011	<u>\$ (411,038)</u>	<u>\$ -</u>	<u>\$ 38,225</u>	<u>\$ (372,813)</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

The District had qualifying disbursements and qualifying offsets during the year that reduced the set-aside amount below zero in both the textbooks/instructional materials reserve and capital maintenance reserve. This extra amount for textbooks/instructional materials may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to next fiscal year.

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for BWC refunds	<u>\$ 38,225</u>
Total restricted assets	<u>\$ 38,225</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 19 - GOING CONCERN ISSUE

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles which contemplates continuation of the District as a going concern. The District is required to prepare and file, with the Superintendent of the Ohio Department of Education, a 5 year forecast. The District ended fiscal year 2010 with a negative cash fund balance of \$372,032. Further, the five year financial forecast indicates projected deficits in fiscal year 2011, 2012, 2013 and 2014. Currently, the District is projecting a negative general fund balance of approximately \$65,000 at the end of fiscal year 2011 and a negative \$700,000 at the end of fiscal year 2012. The District has been in communication with the Ohio Department of Education and is currently working on a plan to remain positive at the end of fiscal year 2011. However, no actual plan has been implemented as of the date of this report.

SUPPLEMENTARY DATA

**BLACK RIVER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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				
Nutrition Cluster:				
(D) (E) School Breakfast Program	10.553	2010	\$ 62,238	\$ 62,238
(D) (E) National School Lunch Program	10.555	2010	198,689	198,689
(C) (E) National School Lunch Program - Food Donation	10.555	2010	21,347	21,347
Total National School Lunch Program			220,036	220,036
Total U.S. Department of Agriculture and Nutrition Grant Cluster			282,274	282,274
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) Title I Grants to Local Educational Agencies	84.010	2010	410,131	449,602
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	25,744	11,815
Total Title I Grant Cluster			435,875	461,417
Special Education Grant Cluster:				
(G) Special Education_Grants to States	84.027	2010	334,840	304,519
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	180,431	159,092
(G) Special Education_Preschool Grants	84.173	2010	3,447	3,412
(G) ARRA - Special Education_Preschool Grants, Recovery Act	84.392	2010	4,727	8,415
Total Special Education Grant Cluster			523,445	475,438
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	4,483	7,026
Education Technology State Grants	84.318	2010	4,839	4,071
Improving Teacher Quality State Grants	84.367	2010	119,195	68,099
ARRA - State Fiscal Stabilization Fund (SFSF)_Education State Grants, Recovery Ac	84.394	2010	489,166	356,232
Total U.S. Department of Education			1,577,003	1,372,283
Total Federal Financial Assistance			\$ 1,859,277	\$ 1,654,557

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2010.
- (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) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

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, 2010, which collectively comprise Black River Local School District's basic financial statements and have issued our report thereon dated January 27, 2011, in which we noted the Black River Local School District is experiencing certain financial difficulties that raises substantial doubt about the Black River Local School District's ability to continue as a going concern. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

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 a combination of deficiencies in internal control such that there is 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. We consider finding 2010-BRLSD-001 described in the accompanying schedule of findings and responses to be a material weakness.

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 have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed five 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 2010-BRLSD-002 through 2010-BRLSD-006.

We noted a certain matter not requiring inclusion in this report that we also reported to Black River Local School District in a separate letter dated January 27, 2011.

Black River Local School District's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. We did not audit 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.
January 27, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

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

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 apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings 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 apply to each of its major federal program for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as finding 2010-BRLSD-007.

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 in order to determine our auditing procedures for the purpose of opining on 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.

The Black River Local School District's response to the finding we identified is described in the accompanying schedule of findings and responses. We did not audit Black River Local School District's response, and accordingly, we express no opinion on it.

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.
January 27, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

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>	Yes
<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>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010 and ARRA - Title I Grants to Local Educational Agencies, Recovery Act, CFDA #84.389, 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, 2010**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2010-BRLSD-001
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Material Weakness - Financial Statement Presentation

Accurate financial reporting is an important part of the District’s overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

We identified misstatements in the financial statements for the fiscal year under audit that were not initially identified by the District’s internal controls. The audit adjustments were made to the District’s financial statements. A description of the adjustments follow:

Compensated Absences Payable:

An increase in compensated absences payable in the amount of \$68,293, an increase in regular instruction expense in the amount of \$54,013, regular instruction expense and an increase in support services - administrative in the amount of \$14,280, was required to properly record the current portion of the compensated absences liability in the general fund.

Interfund Balances:

- A. An adjustment was necessary to account for negative cash in the General Fund resulting in an increase in cash and due to other funds in the amount of \$401,373 in the General Fund, a decrease in cash and increase in due from other funds in the amount of \$61,318 in the State Fiscal Stabilization Fund, a nonmajor governmental fund and an increase in due from other funds and a decrease in cash in the amount of \$340,055 in the permanent improvement fund, a nonmajor governmental fund.
- B. A reclassification adjustment was necessary to properly record long term outstanding advances resulting in an increase in loans receivable and decrease in interfund receivable in the amount of \$342,688, within the General fund and an increase in loans payable and decrease in interfunfs payable in the amount of \$342,688 in various nonmajor governmental funds.

Capital Assets:

- A. An adjustment was necessary to properly record classes of capital assets within governmental activities and note disclosure resulting in an increase to Buildings and Improvements and Land Improvements in the amount of \$735,141 and \$816,598, respectively, and a decrease in non-depreciable capital assets in the amount of \$1,551,739.
- B. An adjustment was necessary to properly record leased capital assets resulting in an increase in depreciable capital assets, net and invested in capital assets, net of related debt in the amount of \$85,422 and decrease in regular instruction and fiscal services in the amount of \$43,507 and \$41,915, respectively, in governmental activities.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

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

Finding Number	2010-BRLSD-001 - (Continued)
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Long-Term Liabilities:

An adjustment was necessary to increase long-term debt due in more than one year and special instruction expense in the amount of \$124,348 to properly record the liability for compensated absences.

Intergovernmental Revenue:

An adjustment was necessary to decrease due from other governments and intergovernmental revenue in the amount of \$48,791 in governmental activities to properly state sales tax due from Medina County.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. Lack of a properly presented financial statement review process could inhibit its financial accountability to both the citizens and the Board, which they may use to facilitate District decisions.

We recommend that the District implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response: The District will adopt controls to promote the presentation of materially correct financial statements in the future.

Finding Number	2010-BRLSD-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations throughout the fiscal year and at fiscal year end.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which could result in negative fund balances.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations prior to fiscal year end. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: The District will incorporate procedures into the appropriations and budgeting processes that will provide more thorough and accurate amendments.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
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Finding Number	2010-BRLSD-003
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds at June 30, 2010:

<u>June 30, 2010</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major Fund</u>			
General Fund	\$ 13,347,979	\$ 13,509,661	\$ 161,682
<u>Nonmajor Funds</u>			
Public School Fund	68,095	183,115	115,020
Permanent Improvement Fund	380,489	405,615	25,126
Food Service Fund	456,417	516,992	60,575

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated. This could result in unnecessary purchases and/or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the year.

Client Response: While facing financial difficulties and fiscal caution, the District will strive to comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 to the best of its ability.

Finding Number	2010-BRLSD-004
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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, 2010:

<u>June 30, 2010</u>	<u>Amount</u>
General Fund	\$ 372,032
<u>Nonmajor Governmental Fund:</u>	
Early Childhood Special Education, IDEA Fund	\$ 2,067

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

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2010-BRLSD-004 - (Continued)

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	2010-BRLSD-005
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

At June 30, 2010, the total appropriations exceeded the total estimated resources in the following fund:

<u>Fund</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
General Fund	\$ 13,347,979	\$12,964,209	\$383,770

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	2010-BRLSD-006
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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.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2010-BRLSD-006 - (Continued)

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.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2010-BRLSD-007
CFDA Title and Number	N/A
Federal Award Number/Year	2009
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The District expended \$1,107,666, respectfully in the fiscal year ended 2009, but did not file their reporting packet with the Federal Audit Clearinghouse until July 2010.

We recommend that upon completion of the annual audit, that the District ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: The District has been experiencing financial distress and working with limited resources. District management will strive to be more timely in the future.

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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
MARCH 31, 2011**