



**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2019**



**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY  
JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Beacon Hill Community School  
Wayne County  
P.O. Box 438  
Smithville, Ohio 44677

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Beacon Hill Community School, Wayne County, Ohio (the School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beacon Hill Community School, Wayne County, Ohio, as of June 30, 2019, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2020, on our consideration of the School'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

April 2, 2020

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The management's discussion and analysis of the Beacon Hill Community School's ("School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position was a balance of \$43,732 at June 30, 2019.
- The School had operating revenues of \$435,113, operating expenses of \$526,295 and nonoperating revenues of \$80,533 for fiscal year 2019. The total change in net position for the fiscal year was a decrease of \$10,649.

**Using the Basic Financial Statements**

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

***Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows***

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did the School do financially during fiscal year 2019?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 8 and 9 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 10 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-20 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension liability. The required supplementary information can be found on pages 21-25 of this report.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The table below provides a summary of the School's net position at June 30, 2019 and June 30, 2018.

<b>Net Position</b>		
	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
Current assets	\$ 83,442	\$ 136,890
Capital assets, net	<u>615</u>	<u>1,845</u>
Total assets	<u>84,057</u>	<u>138,735</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>39,754</u>	<u>80,610</u>
Total liabilities	<u>39,754</u>	<u>80,610</u>
<b><u>Deferred inflows of resources</u></b>	<u>571</u>	<u>3,744</u>
<b><u>Net Position</u></b>		
Investment in capital assets	615	1,845
Restricted	61,756	77,688
Unrestricted (deficit)	<u>(18,639)</u>	<u>(25,152)</u>
Total net position	<u>\$ 43,732</u>	<u>\$ 54,381</u>

The School has adopted GASB Statement 68, "*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.



**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. At June 30, 2019, the School did not have an outstanding net pension liability payable and \$571 was reported in deferred inflows of resources.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the School's net position was a balance of \$43,732.

Current assets include the School's demand deposit and savings accounts and receivables related to federal grants. Current liabilities include intergovernmental payables due to Tri-County Education Service Center for services provided to the School by those entities. An intergovernmental payable has also been recorded for amounts owed to the Ohio Department of Education at fiscal year-end (see Note 9.B to the basic financial statements for detail).

At year-end, capital assets represented 0.73% of total assets. Capital assets include copier equipment. Net investment in capital assets at June 30, 2019, was \$615. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the School's net position, \$61,756, represents resources that are subject to external restriction on how they may be used. Unrestricted deficit was \$18,639 at fiscal year-end.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table below shows the changes in net position for fiscal years 2019 and 2018.

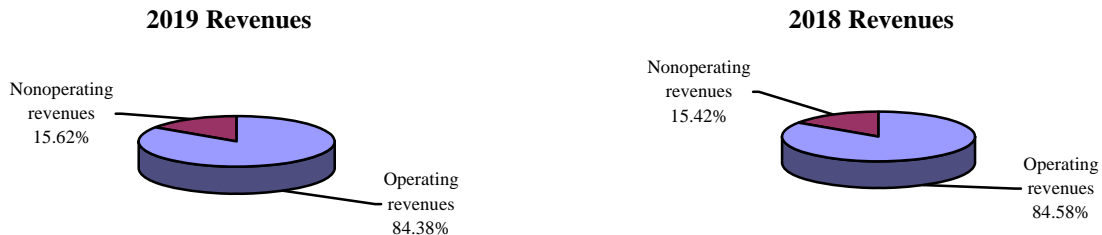
**Change in Net Position**

	<u>2019</u>	<u>2018</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 398,815	\$ 459,196
Charges for services	<u>36,298</u>	<u>34,953</u>
Total operating revenues	<u>435,113</u>	<u>494,149</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	460,285	560,525
Materials and supplies	24,048	4,726
Depreciation	1,230	1,230
Other	<u>40,732</u>	<u>32,268</u>
Total operating expenses	<u>526,295</u>	<u>598,749</u>
<b><u>Nonoperating Revenues:</u></b>		
Grants and subsidies	74,062	82,316
Interest revenue	51	97
Donations and contributions	<u>6,420</u>	<u>7,706</u>
Total nonoperating revenues	<u>80,533</u>	<u>90,119</u>
Change in net position	(10,649)	(14,481)
Net position at beginning of year	<u>54,381</u>	<u>68,862</u>
Net position at end of year	<u>\$ 43,732</u>	<u>\$ 54,381</u>

Fiscal year 2019 was the eighth year of operations for the School. The School is reliant upon State foundation revenue to support operations. The School also receives federal grant revenue which is reported as non-operating revenue.

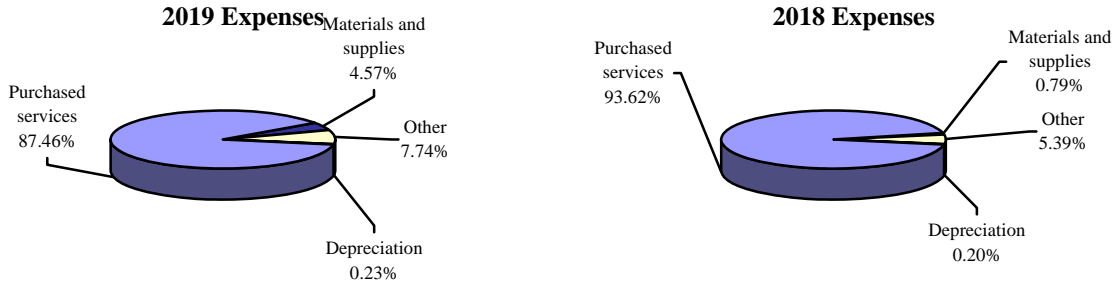
Purchased services are the largest expense to the School. Purchased services expenses primarily include payments made for various services as outlined in Note 12 to the basic financial statements.

The charts below illustrate the revenues and expenses for the School during fiscal years 2019 and 2018.



**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**



**Capital Assets**

At the end of fiscal year 2019, the School had \$615 in capital assets, net of depreciation, consisting of equipment.

The following table shows fiscal year 2019 capital asset balances. The School had no capital asset additions during fiscal year 2019.

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

	<u>2019</u>	<u>2018</u>
Equipment	\$ 6,150	\$ 6,150
Accumulated depreciation	<u>(5,535)</u>	<u>(4,305)</u>
Total	<u>\$ 615</u>	<u>\$ 1,845</u>

See Note 7 of the notes to the basic financial statements for detail on the capital assets.

**Current Financial Related Activities**

The School is reliant upon State foundation monies and State and federal grants to offer quality, educational services to students. In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and federal funds that are made available to finance its operations.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Barbara Markland, Treasurer, Beacon Hill Community School, PO Box 285, Mt. Eaton, OH 44659.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2019

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 74,190
Receivables:	
Intergovernmental. . . . .	<u>9,252</u>
Total current assets . . . . .	<u>83,442</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>615</u>
Total assets. . . . .	<u>84,057</u>
 <b>Liabilities:</b>	
Current liabilities:	
Intergovernmental payable . . . . .	<u>39,754</u>
Total liabilities . . . . .	<u>39,754</u>
 <b>Deferred inflows of resources:</b>	
Pension - SERS . . . . .	<u>571</u>
Total deferred inflows of resources . . . . .	<u>571</u>
 <b>Net position:</b>	
Investment in capital assets. . . . .	615
Restricted for:	
Restricted for state programs. . . . .	3,310
Federal programs . . . . .	7,682
Other purposes . . . . .	50,764
Unrestricted (deficit) . . . . .	<u>(18,639)</u>
Total net position. . . . .	<u>\$ 43,732</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Operating revenues:</b>	
State foundation revenue . . . . .	\$ 398,815
Sales . . . . .	36,298
Total operating revenues . . . . .	<u>435,113</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	460,285
Materials and supplies . . . . .	24,048
Depreciation . . . . .	1,230
Other. . . . .	40,732
Total operating expenses. . . . .	<u>526,295</u>
 Operating loss . . . . .	 <u>(91,182)</u>
 <b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	74,062
Interest revenue . . . . .	51
Contributions and donations. . . . .	6,420
Total nonoperating revenues . . . . .	<u>80,533</u>
 Change in net position . . . . .	 (10,649)
 <b>Net position at beginning of year . . . . .</b>	 <u>54,381</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 43,732</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 395,689
Cash received from sales. . . . .	36,298
Cash payments for contractual services . . . . .	(501,065)
Cash payments for materials and supplies . . . . .	(24,071)
Cash payments for other expenses . . . . .	(40,832)
	(133,981)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	71,725
Cash received from contributions and donations . . . . .	6,420
	78,145
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	51
	51
Net change in cash and cash equivalents . . . . .	(55,785)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>129,975</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 74,190</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (91,182)
Adjustments:	
Depreciation . . . . .	1,230
Changes in liabilities and deferred inflows:	
(Decrease) in accounts payable . . . . .	(6,826)
(Decrease) in intergovernmental payable . . . . .	(34,030)
(Decrease) in deferred inflows - pensions. . . . .	(3,173)
	(44,029)
Net cash used in operating activities . . . . .	\$ (133,981)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Beacon Hill Community School, Wayne County, Ohio (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

The School's objective is to specifically address the needs of students who have met some academic requirements but have failed to successfully complete all those requirements necessary for the attainment of the high school diploma, or for those wishing to pursue a career or post-secondary study. The ultimate focus of the School's curriculum is to assist its students to earn credits for promotion through grades 7-8 and ultimately in earning a high school diploma while preparing them for higher education and employment opportunities. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was approved for operation through initial contracts with the Tri-County Educational Service Center (the "Sponsor") through December 31, 2018. Beginning January 1, 2019, the Ohio Department of Education (ODE) became the Sponsor of the School. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Tri-County Educational Service Center provides teaching and administrative staff to the School on a contract basis. Tri-County Educational Service Center and Beacon Hill have renewed this agreement for one year extending the agreement to June 30, 2020.

The School has entered into purchased service agreements with the Tri-County Educational Service Center and Midland Council of Governments to provide various purchased services to the School. Terms of the purchased service agreements are further described in Note 12. The School operates under the direction of a self-appointed five to seven member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School's one instructional/support facility which provides services to 63 students.

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

The basic financial statements (BFS) of the School 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 School's significant accounting policies are described below.

**A. Basis of Presentation**

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**C. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019, there were no deferred outflows of resources.

In addition to liabilities and change in proportionate share, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, see Note 11 for deferred inflows of resources related to the School's net pension liability.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Rev. Code Section 3314.03 (11) (d), which states that community schools must comply with Ohio Rev. Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five-year forecast no later than October 31 of each year.

**E. Cash and cash equivalents**

All monies received by the School are deposited into a demand deposit account and savings account.

**F. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Amounts restricted for other purposes include amounts restricted for school support and food service operations.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.



**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**G. Intergovernmental Revenue**

The School currently participates in the State Foundation Program, the IDEA Part B grant, the Title I grant, the Title IIA grant, and Title IV-A grant. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2019 school year, excluding all other federal and State grants, totaled \$398,815.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. State and federal grants revenue for the fiscal year 2019 received was \$74,062.

In addition, the School received \$6,420 in local contributions and donations during fiscal year 2019.

**H. Estimates**

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

**I. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School maintains a capitalization threshold of \$5,000. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Copier equipment is depreciated over five years.

**J. Prepayments**

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**K. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2019, the School has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

At June 30, 2019, the carrying amount of all School deposits was \$74,190. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, the entire bank balance of \$74,827 was covered by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 5 - RECEIVABLES**

Intergovernmental receivables at June 30, 2019 consisted of \$9,252 in grants related to the IDEA Part-B, the Title I-A Improving Basic Programs, Title II-A Supporting Effective Instruction, and Title IV-A Student Support and Academic Enrichment programs. The receivables are expected to be collected in the subsequent year.

**NOTE 6 - PURCHASED SERVICES**

For fiscal year 2019, purchased services expenses were as follows:

Professional services	\$ 353,757
Property rental and services	83,968
Travel, mileage and meetings	1,408
Communications	16,149
Other purchased services	<u>5,003</u>
Total purchased services	<u>\$ 460,285</u>

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2019</u>
Equipment	\$ 6,150	\$ -	\$ -	\$ 6,150
Less: accumulated depreciation	<u>(4,305)</u>	<u>(1,230)</u>	<u>-</u>	<u>(5,535)</u>
Capital assets, net	<u>\$ 1,845</u>	<u>\$ (1,230)</u>	<u>\$ -</u>	<u>\$ 615</u>

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 8 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is covered under the insurance policies maintained by the Lighthouse of Hope, the Tri-County Educational Service Center and Southeast Local School District for rental/theft, general liability, contents liability. Beacon Hill also has its own liability and property coverage purchased through Ohio School Plan and Hylant Insurance.

Settled claims did not exceed this commercial coverage in any of the past three years, and there have been no significant reductions in coverage through June 30, 2019.

**NOTE 9 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2019.

**B. State Foundation Funding**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2019.

As of May 11, 2020, all additional ODE adjustments for fiscal year 2019 are finalized. All FTE adjustments resulted in a total liability of \$1,885 for the School.

In addition, the School's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2019 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

**C. Litigation**

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**NOTE 10 - OPERATING LEASE**

The School has entered into an operating lease with Lighthouse of Hope for rent of the School's instructional facility located at 10470 Winesburg Road, Dundee, Ohio. The lease calls for an annual rental payment of \$65,000 for the period August 1, 2018 through May 31, 2019, and \$65,000 for the period of August 1, 2019 through May 31, 2020.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The School no longer reports a net pension liability as of June 30, 2016; because the School does not have any employees on record. The School only reports deferred inflows of resources due to the change in proportionate share.

*Plan Description - School Employees Retirement System (SERS)*

Plan Description - The School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The School did not make any contractually required contributions to SERS for fiscal year 2019.

***Pension Expense and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>
Pension expense	\$ (3,173)

At June 30, 2019, the School reported deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>
<b>Deferred inflows of resources</b>	
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	\$ 571
Total deferred inflows of resources	<u>\$ 571</u>

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

		SERS
Fiscal Year Ending June 30:		
2020	\$	(571)

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation		3.00%
Future salary increases, including inflation		3.50% to 18.20%
COLA or ad hoc COLA		2.50%, on and after April 1, 2018, COLA's for future
		retirees will be delayed for three years following commencement
Investment rate of return		7.50% net of investments expense, including inflation
Actuarial cost method		Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**NOTE 12 - PURCHASED SERVICE AGREEMENTS**

**A. Ohio Department of Education**

The School was approved under contract with the Office of Ohio School Sponsorship at the Department of Education (the “Sponsor”) commencing January 1, 2019 through June 30, 2019. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

Under the terms of the Contract, the School is required to pay the Sponsor up to 3% of the funding provided to the School by the Ohio Department of Education as an oversight and monitoring (administrative) fee. During fiscal year 2019, the School paid \$4,565 in fees to the Sponsor.

**B. Tri-County Educational Service Center**

The School entered into a one-year contract on August 10, 2018 with Tri-County Educational Service Center (the “ESC”) for sponsorship oversight and monitoring services and instructional staff services. As of January 1, 2019, the ESC was no longer the Sponsor of the School and continued to provide instructional staff services.

Under this contract, the following terms were agreed upon:

1. The School shall pay the ESC for instructional staff services as required by the School. The School will be invoiced for the applicable instructional staff time used by the School.
2. The purchased services agreement for fiscal year 2019 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to April 15, 2019 of any change in the services to be purchased for the term commencing July 1, 2019 through June 30, 2020.

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 12 - PURCHASED SERVICE AGREEMENTS - (Continued)**

For fiscal year 2019, \$360,814 was paid to the ESC for sponsorship oversight and monitoring services and instructional staff services under the agreement. To obtain the ESC's audited June 30, 2019 financial statements, please contact Ms. Mary Workman, Treasurer, 741 Winkler Rd, Wooster, Ohio 44691.

**C. Midland Council of Governments**

The School entered into a one-year contract with the Midland Council of Governments (the "COG") for internet and technology support services. Under this contract, the following terms were agreed upon:

1. The COG will provide internet and technology support services to the school for fiscal year 2019.

For fiscal year 2019, \$17,301 was paid to the COG for internet and technology support services under the agreement.

**NOTE 13 - FISCAL MANAGEMENT PLAN**

The governing board and administration of the School have developed the following fiscal management plan beginning fiscal year 2019:

1. Following the eighth full year of operations, cash balances, and cash flow have shown improvement, however, cash expenditures exceeded revenue by \$55,785 in fiscal year 2019.
  - a. Enrollment continues to be a top priority and drives funding. A decline in the number of Special Education students has also reduced state foundation revenue. Continual efforts are made to offer unique and quality services to meet the expectations of the surrounding community. Transportation requests have been made to local school districts to ensure that students from the surrounding areas have the ability to attend.
  - b. Professional development continues to be a focus to maintain the School Wide Pool Program. Highly Qualified Teachers are in place for all courses. The use of I-Ready software to improve Test preparation for students is a focus area for the coming year.
  - c. In July of 2016, the Governing Board and Administration raised the general fund cash balance goal to \$100,000 by June 30, 2017, and all funds balance to \$125,000 by June 30, 2017, to improve end of year cash balances, and build a cash reserve. With the full implementation of School Wide Pool Funding, local funds, and federal grants are combined to improve the educational opportunities for students and financial stability of the school. On June 30, 2018, the general fund cash balance was \$58,764. The all funds cash balance was \$129,975. On June 30, 2019 the general fund balance was \$14,303 and the all funds balance was \$74,190 so cash reserves are slightly lower than a year ago.
2. Due to the nature of GAAP reporting, the Governing Board understands that outstanding liabilities for professional staff services at year end will be a significant factor affecting year end reports. Improving the year end cash assets will help to offset those outstanding liabilities.

**NOTE 14 – SUBSEQUENT EVENT**

On August 1, 2019, Barbara Markland took office as the Treasurer of the District.



**REQUIRED SUPPLEMENTARY INFORMATION**

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School's proportion of the net pension liability	0.00000000%	0.00000000%	0.00000000%	0.00002090%
School's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ 1,193
School's covered-employee payroll	\$ -	\$ -	\$ 1,543	\$ 4,461
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	26.74%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School's measurement date which is the prior year-end.

<u>2015</u>	<u>2014</u>
0.00025800%	0.00025800%
\$ 13,057	\$ 15,342
\$ 7,504	N/A
174.00%	N/A
71.70%	0.6552

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ 216
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ -	\$ -	\$ -	\$ 1,543
Contributions as a percentage of covered-employee payroll	13.50%	13.50%	14.00%	14.00%

Note: Information prior to fiscal year 2014 is not applicable.

<u>2015</u>	<u>2014</u>
\$ 588	\$ 1,040
<u>(588)</u>	<u>(1,040)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 4,461	\$ 7,504
13.18%	13.86%

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215-3506  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Beacon Hill Community School  
Wayne County  
P.O. Box 438  
Smithville, Ohio 44677

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Beacon Hill Community School, Wayne County, (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated April 2, 2020.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State

Columbus, Ohio

April 2, 2020



# OHIO AUDITOR OF STATE KEITH FABER



**BEACON HILL COMMUNITY SCHOOL**

**WAYNE 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  
JUNE 11, 2020**