



Dave Yost • Auditor of State

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Beaver Local School District
Columbiana County
46088 Bell School Road
East Liverpool, Ohio 43920

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaver Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District's internal control. Accordingly, we express no 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 opinions.

Opinion

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 Beaver Local School District, Columbiana County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2016

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The Management's Discussion and Analysis of the Beaver Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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 notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

In total, net position increased \$16,426,272.

General revenues accounted for \$33,662,840, or 91 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,333,147, or 9 percent of total revenues of \$36,995,987.

The District had \$20,569,715 in expenses related to governmental activities; only \$3,333,147 of these expenses was offset by program specific charges for services, grants or contributions. General revenue supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$33,662,840 was adequate to provide for these programs.

The District's major funds included the General Fund, the Bond Retirement Fund and the Building Construction Fund. The General Fund had \$18,256,645 in revenues and \$18,130,060 in expenditures and other financing uses. The General Fund's balance increased \$126,585 from the prior fiscal year. The Bond Retirement Fund had \$1,350,657 in revenues and \$1,198,191 in expenditures. The Bond Retirement Fund's balance increased \$152,466 from the prior fiscal year. The Building Construction Fund had \$15,825,495 in revenues and \$28,344,517 in expenditures. The Building Construction Fund's balance decreased \$12,519,022 from the prior fiscal year.

Using this Basic Financial Report

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

The statement of net position and the 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. The District has three major governmental funds: the General Fund, the Bond Retirement Fund, and the Building Construction Fund.

Reporting the District's Most Significant Funds

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities answer the question, "How did we do financially during 2015?" These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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

In the statement of net position and the statement of activities, the District's activities are considered to be all governmental activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for its multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District has three major governmental funds: the General Fund, the Bond Retirement Fund and the Building Construction Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how monies flow 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 that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps 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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities

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

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal year 2015, compared to fiscal year 2014.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**Table 1
Net Position
Governmental Activities**

	<u>2015</u>	<u>Restated 2014</u>
<u>Assets:</u>		
Current and Other Assets	\$21,957,304	\$36,264,847
Capital Assets, Net	45,668,472	16,284,550
Total Assets	<u>67,625,776</u>	<u>52,549,397</u>
Deferred Outflows of Resources		
Pension	1,549,300	1,375,056
Total Deferred Outflows of Resources	<u>1,549,300</u>	<u>1,375,056</u>
<u>Liabilities:</u>		
Current and Other Liabilities	4,226,111	4,803,810
Long-Term Liabilities:		
Due Within One Year	580,418	668,420
Due Within More Than One Year:		
Net Pension Liability	21,597,761	25,670,404
Other Amounts	21,105,357	21,734,010
Total Liabilities	<u>47,509,647</u>	<u>52,876,644</u>
Deferred Inflows of Resources		
Property Taxes	6,164,029	5,888,784
Pension	3,916,103	0
Total Deferred Inflows of Resources	<u>10,080,132</u>	<u>5,888,784</u>
<u>Net Position:</u>		
Net Investments in Capital Assets	27,696,791	15,944,073
Restricted	12,639,718	5,546,972
Unrestricted (Deficit)	(28,751,212)	(26,332,020)
Total Net Position (Deficit)	<u>\$11,585,297</u>	<u>(\$4,840,975)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," 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 District'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.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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 new standards required by GASB 68, the net pension liability equals the District'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 District 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. 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 District'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.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
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(Continued)**

As a result of implementing GASB 68 and GASB 71, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$19,454,373 to (\$4,840,975).

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

**Table 2
Change in Net Position
Governmental Activities**

	2015	2014
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$2,144,894	\$2,055,418
Operating Grants, Contributions and Interest	1,188,253	2,012,049
Total Program Revenues	3,333,147	4,067,467
General Revenues:		
Property Taxes	6,987,056	6,813,765
Grants and Entitlements	26,724,948	23,212,133
Interest	(142,164)	307,600
Miscellaneous	93,000	35,117
Total General Revenues	33,662,840	30,368,615
Total Revenues	36,995,987	34,436,082
<u>Expenses</u>		
Instruction	12,680,435	12,794,609
Support Services:		
Pupils	746,938	758,351
Instructional Staff	214,294	500,771
Board of Education	33,437	28,170
Administration	1,461,899	1,613,313
Fiscal	561,930	486,418
Operation and Maintenance of Plant	1,590,671	1,565,982
Pupil Transportation	1,293,531	1,413,826
Central	74,108	74,010
Operation of Non-Instructional Services	719,251	805,140
Extracurricular Activities	509,857	531,699
Interest and Fiscal Charges	683,364	703,966
Total Expenses	20,569,715	21,276,255
Change in Net Position	\$16,426,272	\$13,159,827

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,375,056 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,041,990. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$20,569,715
Pension expense under GASB 68	(1,041,990)
2015 contractually required contribution	<u>1,345,737</u>
Adjusted 2015 program expenses	20,873,462
Total 2014 program expenses under GASB 27	<u>21,276,255</u>
Decrease in program expenses not related to pension	<u><u>(\$402,793)</u></u>

Current assets decreased by more than \$14,000,000. Construction in progress attributed to the increase in Capital Assets.

Governmental Activities

Net position of the District's governmental activities increased \$16,426,272. Program revenues of \$3,333,147 and general revenues of \$33,662,840 offset total governmental expenses of \$20,569,715. Program revenues supported 16 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 91 percent of total governmental revenue. Real estate property is reappraised every six years. Although recent growth has had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. However, H.B. 920 provided a "safety net" for schools by prohibiting the effective millage from reducing past 20 mills. Due to the annual reductions, the District's millage has been reduced to 20 mills, and the District is able to collect inflationary growth on the 20 mills. This affords the District the opportunity to offset inflation on the expense side without asking the voters every three to five years for additional operating millage.

Voters approved the last Emergency Levy renewal in May 2014. This levy, which generates approximately \$1.2 million per year for a five-year period of time, is expected to provide adequate revenue for general operating expenses through the calendar year 2020.

In March 2012, voters approved a building construction levy and capital maintenance levy to finance the District's 38 percent of the construction of a new K-12 building through the partnership with the Ohio School Facilities Commission. The construction levy is for a 28-year period. Capital maintenance levy is for a 23-year period.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The District's financial condition has kept even in recent years, primarily due to management controlling expenses. Basic State support has increased very little the last year, and is expecting no growth increase in the 2015-2016 fiscal year. The District is projecting annual reduction in State pupil basic aid support of 1.0 percent. In addition, the District has continued the practice of financing new initiatives, such as full day, every day kindergarten programs at its elementary.

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 those services supported by tax revenue and unrestricted state grants and entitlements.

**Table 3
Governmental Activities**

	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services
	2015	2015	2014	2014
<u>Expenses</u>				
Instruction	\$12,680,435	\$10,279,851	\$12,794,609	\$9,755,904
Support Services:				
Pupils	746,938	746,938	758,351	758,351
Instructional Staff	214,294	214,294	500,771	482,256
Board of Education	33,437	33,437	28,170	28,170
Administration	1,461,899	1,461,899	1,613,313	1,596,927
Fiscal	561,930	561,930	486,418	463,742
Operation and Maintenance of Plant	1,590,671	1,590,671	1,565,982	1,565,982
Pupil Transportation	1,293,531	1,283,379	1,413,826	1,413,826
Central	74,108	74,108	74,010	74,010
Operation of Non-Instructional Services	719,251	38,410	805,140	88,525
Extracurricular Activities	509,857	268,287	531,699	277,129
Interest and Fiscal Charges	683,364	683,364	703,966	703,966
Total Expenses	\$20,569,715	\$17,236,568	\$21,276,255	\$17,208,788

The dependence upon state revenues and taxes for governmental activities is apparent. 81 percent of instruction activities are supported through other general/state revenues. For all governmental activities, general revenue support is 84 percent. The State of Ohio, as a whole, is by far the primary support for the District's students.

The District's Funds

The District's governmental funds reported a combined fund balance of \$11,127,001, which is below last year's total of \$24,631,109. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2015. The decrease is due to the construction for the new school buildings.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

	<u>Fund Balance June 30, 2015</u>	<u>Fund Balance June 30, 2014</u>	<u>Increase/ (Decrease)</u>
General	(\$1,436,378)	(\$1,562,963)	\$126,585
Bond Retirement	643,927	491,461	152,466
Building Construction	10,894,584	23,413,606	(12,519,022)
Other Governmental	1,024,868	2,289,005	(1,264,137)
Total	<u>\$11,127,001</u>	<u>\$24,631,109</u>	<u>(\$13,504,108)</u>

The District's major governmental funds are the General Fund, the Bond Retirement Fund and the Building Construction Fund. General Fund revenues and other financing sources increased by less than 2 percent while expenditures decreased by less than 1 percent. The Bond Retirement Fund increased by 31 percent. The Building Construction Fund revenues increased by 22 percent, and expenditures increased by 152 percent.

The net increase in the General Fund balance for fiscal year 2015 was \$126,585 was primarily a result of an increase in overall revenues. The net increase in the Bond Retirement Fund balance for fiscal year 2015 was \$152,466. The increase was due to the property tax revenue in fiscal year 2015. The net decrease in the Building Construction Fund balance for fiscal year 2015 was \$12,519,022. The decrease was due to the construction project in fiscal year 2015.

General Fund

The District's General Fund balance increased by \$126,585. The increase can be attributed to the increase in overall revenues and the decrease in overall expenditures. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$5,775,730	\$5,587,810	3.3%
Earnings on investments	753	1,227	(38.6%)
Intergovernmental	10,592,985	10,613,751	(0.0%)
Other revenues	1,887,177	1,717,368	1.0%
Total	<u>\$18,256,645</u>	<u>\$17,920,156</u>	<u>1.9%</u>
<u>Expenditures</u>			
Instruction	\$11,826,782	\$11,870,950	(0.0%)
Support Services	5,769,772	6,366,063	(0.9%)
Extracurricular activities	355,225	367,231	(0.3%)
Other	84,611	129,369	(34.6%)
Total	<u>\$18,036,390</u>	<u>\$18,733,613</u>	<u>(0.4%)</u>

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 2015, the District amended its General Fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control site budgets but provide flexibility for site management.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
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(Continued)**

For the General Fund, final budgeted revenues and other financing sources were decreased .8 percent from the original budget.

General Fund original appropriations of \$18,325,294 were decreased .3 percent in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$17,914,002, which was \$358,221 less than the final budget appropriations. The increase wages and benefits in regular and special instruction were attributed to the decrease in the District's final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$45,668,472 invested in land, construction in progress, building and improvements, furniture and equipment, and vehicles. This entire total was reported in governmental activities. See Note 7 to the basic financial statements. The following table shows fiscal year 2015 balances compared to 2014.

<u>Capital Assets at June 30</u>		
<u>Governmental Activities</u>		
	<u>2015</u>	<u>2014</u>
Land	\$496,847	\$496,847
Construction in Progress	42,261,465	12,633,399
Building/Improvements	2,221,604	2,333,489
Furniture/equipment	95,372	129,953
Vehicles	593,184	690,862
Totals	<u>\$45,668,472</u>	<u>\$16,284,550</u>

Debt Administration

At June 30, 2015, the District had \$21,102,849 in general obligation bonds and loans outstanding. Of this total, \$499,556 is due within one year and \$20,603,293 is due within greater than one year. The following table summarizes the loans outstanding.

<u>Outstanding Debt, at Year End</u>		
	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
OWDA Loan	\$99,924	\$114,193
General Obligation Bonds 2012		
Current Interest Bonds	12,175,000	12,650,000
Term Bonds	8,350,000	8,350,000
Capital Appreciation Bonds	28,614	28,614
Unamortized Bond Premium	449,311	449,311
Total	<u>\$21,102,849</u>	<u>\$21,592,118</u>

See Note 13 to the basic financial statements for additional information on the District's debt administration.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

For the Future

Although the renewal levy passed in May 2014, the future financial stability of the District is not without challenges.

The first challenge is that although the District will have the resources necessary to meet operating expenses in fiscal year 2016, the District must maintain tight controls over spending to live within the means provided by the voters and the State of Ohio. There are still a lot of uncertainties relating to the new K-12 building expenses.

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

The last major challenge is state funding. Beaver Local School District will receive the same funding for FY16 and FY17 as in the past and will be a "guarantee" district meaning that it's revenue will be the same as FY15. Being that 58% of the funding for the District is from state dollars this level of funding is very important to the overall operations for the education of the students. However, if the price of services increases at a rate of 1-2% and benefits continue to increase at an astronomical rate, this level of funding is not favorable.

The District administration will need to plan for the future needs of the students based on the current revenues and the passage of the emergency renewal levy. But they will also need to be mindful that there are many risks and uncertainties that will need to be considered in future planning as there are two new state budgets in the time period from FY18-FY20. As the administration plans for the future they will need to make sure that the District is able to obtain positive cash balance over the next few years. They will need to review the expenditures based on the current revenues in able to obtain this.

Contacting the 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. If you have any questions about this report or need additional financial information, contact Mrs. Stacy Williams, Treasurer/CFO at Beaver Local School District, 46088 Bell School Rd., East Liverpool, Ohio 43920.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**STATEMENT OF NET POSITION
June 30, 2015**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 14,199,598
Investments	907,271
Accounts Receivable	2,848
Intergovernmental Receivable	17,072
Taxes Receivable	6,830,515
Capital Assets:	
Non-Depreciable Capital Assets	42,758,312
Depreciable Capital Assets, net	2,910,160
Total Assets	67,625,776
Deferred Outflows of Resources:	
Pension	1,549,300
Total Deferred Outflows of Resources	1,549,300
Liabilities:	
Accounts Payable	140,705
Accrued Wages and Benefits	1,613,000
Contracts Payable	2,073,051
Intergovernmental Payable	399,355
Long-Term Liabilities:	
Due Within One Year	580,418
Due in More Than One Year	21,105,357
Net Pension Liability	21,597,761
Total Liabilities	47,509,647
Deferred Inflows of Resources:	
Property Taxes Receivable	6,164,029
Pension	3,916,103
Total Deferred Inflows of Resources	10,080,132
Net Position:	
Net Investment in Capital Assets	27,696,791
Restricted for Debt Service	714,475
Restricted for Capital Outlay	11,640,051
Restricted for Other Purposes	285,192
Unrestricted	(28,751,212)
Total Net Position	\$ 11,585,297

See Accompanying Notes to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Expenses	Program Revenues		Net(Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 10,027,564	\$ 1,698,823	\$ 112,957	\$ (8,215,784)
Special	2,627,730		588,804	(2,038,926)
Student Intervention Services	24,631			(24,631)
Other	510			(510)
Support Services:				
Pupils	746,938			(746,938)
Instructional Staff	214,294			(214,294)
Board of Education	33,437			(33,437)
Administration	1,461,899			(1,461,899)
Fiscal	561,930			(561,930)
Operation and Maintenance of Plant	1,590,671			(1,590,671)
Pupil Transportation	1,293,531		10,152	(1,283,379)
Central	74,108			(74,108)
Operation of Non-Instructional Services	719,251	204,501	476,340	(38,410)
Extracurricular Activities	509,857	241,570		(268,287)
Interest and Fiscal Charges	683,364			(683,364)
Totals	20,569,715	2,144,894	1,188,253	(17,236,568)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	5,714,380
Property Taxes, Levied for Debt Service	1,162,164
Property Taxes, Levied for Other	110,512
Grants and Entitlements not Restricted to Specific Programs	26,724,948
Investment Earnings	(142,164)
Miscellaneous	93,000
Total General Revenues	33,662,840
Change in Net Position	16,426,272
Net Position Beginning of Year - Restated	(4,840,975)
Net Position End of Year	\$ 11,585,297

See Accompanying Notes to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 280,373	\$ 603,277	\$ 12,058,332	\$ 1,257,616	\$ 14,199,598
Investments			907,271		907,271
Accounts Receivable	2,701			147	2,848
Interfund Receivable	41,635				41,635
Intergovernmental Receivable				17,072	17,072
Taxes Receivable	5,593,294	1,129,144		108,077	6,830,515
Total Assets	\$ 5,918,003	\$ 1,732,421	\$ 12,965,603	\$ 1,382,912	\$ 21,998,939
Liabilities					
Current Liabilities:					
Accounts Payable	139,505			1,200	140,705
Accrued Wages and Benefits	1,447,114			165,886	1,613,000
Contracts Payable			2,071,019	2,032	2,073,051
Interfund Payable				41,635	41,635
Intergovernmental Payable	373,320			26,035	399,355
Total Liabilities	1,959,939	-	2,071,019	236,788	4,267,746
Deferred Inflow of Resources					
Property Levied for the Next Fiscal Year	5,394,442	1,088,494		104,184	6,587,120
Unavailable Revenue				17,072	17,072
Total Deferred Inflows of Resources	5,394,442	1,088,494	-	121,256	6,604,192
Total Liabilities and Deferred Inflows of Resources	7,354,381	1,088,494	2,071,019	358,044	10,871,938
Fund Balances					
Restricted		643,927	10,894,584	1,230,728	12,769,239
Assigned	39,885				39,885
Unassigned	(1,476,263)			(205,860)	(1,682,123)
Total Fund Balances	(1,436,378)	643,927	10,894,584	1,024,868	11,127,001
Total Liabilities and Fund Balances	\$ 5,918,003	\$ 1,732,421	\$ 12,965,603	\$ 1,382,912	\$ 21,998,939

See Accompanying Notes to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total Governmental Fund Balances	\$	11,127,001
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

The net pension liability is not due in the current period therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	1,549,300	
Deferred Inflows - Pension	(3,916,103)	
Net Pension Liability	(21,597,761)	(23,964,564)

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	45,668,472
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Deferred Inflow Resources that do not provide financial resources are not reported as revenues in governmental fund.	440,163
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

General Obligation Bonds Payable	(21,002,925)	
OWDA Loan Payable	(99,924)	
Compensated Absences Payable	(582,926)	(21,685,775)

Net Position of Governmental Activities	\$	11,585,297
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See Accompanying Notes to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 5,775,730	\$ 1,174,806	\$	\$ 111,725	\$ 7,062,261
Intergovernmental	10,592,985	175,851	15,958,393	1,592,029	28,319,258
Interest	753		(98,781)	(10,002)	(108,030)
Increase (Decrease) in Fair Value of Investments			(34,117)		(34,117)
Tuition and Fees	1,688,126				1,688,126
Rent	10,697				10,697
Extracurricular Activities	95,354			146,216	241,570
Customer Sales and Services				204,501	204,501
Miscellaneous	93,000			19,702	112,702
Total Revenues	<u>18,256,645</u>	<u>1,350,657</u>	<u>15,825,495</u>	<u>2,064,171</u>	<u>37,496,968</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	10,188,028			105,119	10,293,147
Special	1,613,613			1,096,661	2,710,274
Student Intervention Services	24,631				24,631
Other	510				510
Support Services:					
Pupils	750,212			8,078	758,290
Instructional Staff	176,558			40,040	216,598
Board of Education	33,437				33,437
Administration	1,459,863			5,582	1,465,445
Fiscal	536,666	29,233		2,800	568,699
Central	1,519,670		2,161	90	1,521,921
Operation and Maintenance of Plant	1,217,622				1,217,622
Pupil Transportation	75,744				75,744
Operation of Non-Instructional Services				730,362	730,362
Extracurricular Activities	355,225			147,536	502,761
Capital Outlay			28,342,356	1,285,710	29,628,066
Debt Service:					
Principal	80,936	489,269			570,205
Interest	3,675	679,689			683,364
Total Expenditures	<u>18,036,390</u>	<u>1,198,191</u>	<u>28,344,517</u>	<u>3,421,978</u>	<u>51,001,076</u>
Excess of Revenues Over (Under) Expenditures	<u>220,255</u>	<u>152,466</u>	<u>(12,519,022)</u>	<u>(1,357,807)</u>	<u>(13,504,108)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In				93,670	93,670
Transfers Out	(93,670)				(93,670)
Total Other Financing Sources and Uses	<u>(93,670)</u>	<u>-</u>	<u>-</u>	<u>93,670</u>	<u>-</u>
Net Change in Fund Balances	126,585	152,466	(12,519,022)	(1,264,137)	(13,504,108)
Fund Balance (Deficit) at Beginning of Year	(1,562,963)	491,461	23,413,606	2,289,005	24,631,109
Fund Balance (Deficit) at End of Year	<u>\$ (1,436,378)</u>	<u>\$ 643,927</u>	<u>\$ 10,894,584</u>	<u>\$ 1,024,868</u>	<u>\$ 11,127,001</u>

See Accompanying Notes to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (13,504,108)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 1,345,737

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities. (1,014,953)

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Asset Additions	29,628,066	
Depreciation	<u>(244,144)</u>	
		29,383,922

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(406,057)	
Delinquent Property Taxes	(75,205)	
Interest	(17)	
Miscellaneous	<u>(19,702)</u>	
		(500,981)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of net position 570,205

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Compensated Absences Payable	<u>146,450</u>	
		<u>146,450</u>

Change in Net Position of Governmental Activities \$ 16,426,272

See Accompanying Notes to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 5,822,342	\$ 5,763,027	\$ 5,763,027	\$ -
Intergovernmental	10,643,751	10,592,985	10,592,985	-
Interest	1,227	676	753	77
Tuition and Fees	1,692,091	1,670,234	1,670,234	-
Rent	15,937	11,413	11,413	-
Miscellaneous	54,588	53,746	53,746	-
Total Revenues	<u>18,229,936</u>	<u>18,092,081</u>	<u>18,092,158</u>	<u>77</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	10,212,991	10,350,127	10,204,124	146,003
Special	1,431,220	1,529,936	1,516,836	13,100
Vocational	6,520			-
Student Intervention Services	13,456	18,126	18,126	-
Support Services:				
Pupils	724,220	749,995	739,455	10,540
Instructional Staff	468,186	184,872	171,782	13,090
Board of Education	27,533	36,959	34,122	2,837
Administration	1,568,695	1,494,102	1,433,833	60,269
Fiscal	502,228	540,209	530,260	9,949
Operation and Maintenance of Plant	1,530,804	1,599,001	1,529,150	69,851
Pupil Transportation	1,443,582	1,328,642	1,298,542	30,100
Central	73,023	77,234	75,723	1,511
Extracurricular Activities	269,009	266,436	265,465	971
Total Expenditures	<u>18,271,467</u>	<u>18,175,639</u>	<u>17,817,418</u>	<u>358,221</u>
Excess of Revenues Over (Under) Expenditures	<u>(41,531)</u>	<u>(83,558)</u>	<u>274,740</u>	<u>358,298</u>
Other Financing Sources and Uses:				
Advances In	10,968			-
Refund of Prior Year Expenditures	65,157	41,373	41,373	-
Transfers Out	(53,827)	(96,584)	(96,584)	-
Total Other Financing Sources and Uses	<u>22,298</u>	<u>(55,211)</u>	<u>(55,211)</u>	<u>-</u>
Net Change in Fund Balances	(19,233)	(138,769)	219,529	358,298
Fund Balance (Deficit) at Beginning of Year	20,961	20,961	20,961	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance (Deficit) at End of Year	<u>\$ 1,728</u>	<u>\$ (117,808)</u>	<u>\$ 240,490</u>	<u>\$ 358,298</u>

See Accompanying Notes to the Basic Financial Statements

BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>79,774</u>
Total Assets	<u>79,774</u>
Liabilities	
Current Liabilities:	
Due to Students	<u>79,774</u>
Total Liabilities	<u>\$ <u>79,774</u></u>

See Accompanying Notes to the Basic Financial Statements

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected, five-member Board of Education and is responsible for the provision of public education to residents of the District. As of June 30, 2015, the Board oversees the operations of the District's seven instructional/support facilities staffed by 75 non-certified and 128 certified full-time teaching personnel who provide services to 1,950 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District's accounting policies.

A. Financial Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the 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, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. Management has determined the District has no component units.

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

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

ST. CLAIR TOWNSHIP

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

MADISON TOWNSHIP

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

ELKRUN TOWNSHIP

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

MIDDLETON TOWNSHIP

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

BEAVER LOCAL EDUCATION ASSOCIATION

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

OHIO ASSOCIATION OF PUBLIC SCHOOL EMPLOYEES CHAPTER #564

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OUTSIDE SUPPORT/BOOSTER CLUBS

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

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

The District is associated with two organizations, which are defined as jointly governed organizations. These organizations are presented in Note 9 to the basic financial statements. These organizations are:

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

The District is also associated with an insurance purchasing pool – the Ohio Association of School Business Official Workers' Compensation Group Rating Program. It is presented in Note 8.

Basis of Presentation

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

Government-Wide Financial Statements

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

Building Construction Fund - The Building Construction Fund is used to account for revenues and expenditures related to the construction of new school buildings.

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

Proprietary Fund

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: trust and agency funds. Trust funds are used to account for assets 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Agency funds account for student-managed activities.

C. Measurement Focus

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

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

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

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows and in the presentation of expenses versus expenditures.

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position 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 District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 10).

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.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

Tax Budget

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015.

Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of control.

On the fund financial statements, encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance for subsequent-year expenditures for governmental funds.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations

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

F. Cash and Cash Equivalents and Investments

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2015, investments were limited to overnight repurchase agreements, federal securities, and the State Treasurer's Investment Pool.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

As authorized by Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest was distributed to the General Fund and the Food Service Fund. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$753.

For presentation of the financial statements, investments of the cash management pool at the time they are purchased by the District are considered to be investments.

G. Inventory

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. 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 capitalized.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Building Improvements	30 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 15 years

I. Revenues – Exchange and Non-Exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include income and property taxes, grants entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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: extracurricular activities, entitlements, tuition, and student fees.

J. Interfund Balances

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

K. Compensated Absences

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. The net position component "net investments in capital" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

Q. Estimates

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

3. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an accounts payable (GAAP basis).
4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance General Fund	
Budget Basis	\$219,529
Net adjustment for revenue accruals	47,173
Net adjustment for expenditure accruals	(98,738)
Net adjustment for other sources/uses	(41,373)
Funds budgeted elsewhere	(6)
GAAP Basis	\$126,585

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis; this includes the rotary and public school support funds.

4. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 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 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 held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

4. DEPOSITS AND INVESTMENTS (Continued)

- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
- 7. The State Treasurer’s investment pool (STAR Ohio); and
- 8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At year end, the District had \$25 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,092,483 of the District’s bank balance of \$13,209,858 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturing in Less than One year</u>
Federal National Mortgage Association Notes	\$907,271	\$907,271
STAR Ohio	1,159,237	1,159,237
Total Investments	<u>\$2,066,508</u>	<u>\$2,066,508</u>

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

4. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk - STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

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 it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal National Mortgage Association Notes represents 44 percent, of the District's total investments.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. Real property taxes are levied after April 1 on the assessed values listed as of January 1, the lien date. Public utility, real and tangible property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. All property is required to be revalued every six years with a triennial update (triennial update was in 2013). The public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property taxes at thirty-five percent of true value. Public utility personal property taxes are levied after April 1 on the value listed as of December 31 of current year. Public utility personal property assessments are varying percentages of true value. The assessed values upon which the fiscal year 2015 taxes were collected are:

<u>Category</u>	<u>2014 Second-Half Collections</u>		<u>2015 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property Valuation:				
Agricultural/Residential	\$192,293,010	79%	\$192,920,950	79%
Commercial/Industrial	37,918,540	16%	38,165,630	16%
Public Utilities Personal	13,069,180	5%	13,744,110	5%
Total Valuation	<u>\$243,280,730</u>	<u>100%</u>	<u>\$244,830,690</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$36.62		\$36.62	

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 earlier or later payment dates to be established.

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

5. PROPERTY TAXES (Continued)

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property, and public utility taxes, which became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, the entire measurable amount is not levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows.

6. RECEIVABLES

Receivables at June 30, 2015, consisted of taxes, accounts (tuition and fee), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amount</u>
Governmental Activities	
Taxes	\$6,830,515
Accounts	2,848
Intergovernmental	<u>17,072</u>
Total Receivables	<u><u>\$6,850,435</u></u>

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance at 07/01/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 06/30/2015</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$496,847	\$-	\$-	\$496,847
Construction in Progress	12,633,399	29,628,066	-	42,261,465
Total Nondepreciable Capital Assets	<u>13,130,246</u>	<u>29,628,066</u>	<u>-</u>	<u>42,758,312</u>
Depreciable Capital Assets				
Buildings/Improvements	4,555,086	-	-	4,555,086
Furniture and Equipment	2,247,669	-	-	2,247,669
Vehicles	1,856,674	-	-	1,856,674
Total Depreciable Capital Assets	<u>8,659,429</u>	<u>-</u>	<u>-</u>	<u>8,659,429</u>
Less Accumulated Depreciation				
Buildings/Improvements	2,221,597	111,885	-	2,333,482
Furniture and Equipment	2,117,716	34,581	-	2,152,297
Vehicles	1,165,812	97,678	-	1,263,490
Total Accumulated Depreciation	<u>5,505,125</u>	<u>244,144</u>	<u>-</u>	<u>5,749,269</u>
Depreciable Capital Assets, Net	3,154,304	(244,144)	-	2,910,160
Governmental Activities Capital Assets, Net	<u>\$16,284,550</u>	<u>\$29,383,922</u>	<u>\$-</u>	<u>\$45,668,472</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$34,783
Special	2,524
Support Services:	
Administration	9,243
Fiscal	95
Operation and Maintenance of Plant	3,607
Pupil Transportation	95,165
Operation of Non-Instructional Services	1,910
Extracurricular Activities	14,763
Capital Outlay	82,054
Total Depreciation Expense	<u>\$244,144</u>

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2015, the District had a \$500 deductible per occurrence. The Ohio Casualty Insurance Company provides liability insurance with a \$5,000,000 aggregate limit.

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

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

For fiscal year 2015, the District participated in the Ohio Association of School Business Official (OASBO) Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its Workers' Compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

9. JOINTLY GOVERNED ORGANIZATIONS

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Education Service System (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors is chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The District paid \$67,849 during fiscal year 2015. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512.

B. Columbiana County Career and Technical Center

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

10. DEFINED PENSION BENEFIT 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 in exchanges that already have occurred.

The net pension liability represents the District'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.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District 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 proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – District 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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	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 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 year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent 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 percent for plan members and 14 percent 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$281,733 for fiscal year 2015. Of this amount \$180,142 is reported as an intergovernmental payable.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,064,004 for fiscal year 2015. Of this amount \$183,989 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District'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>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,504,906	\$18,092,855	\$21,597,761
Proportion of the Net Pension Liability	0.069254%	0.0743844%	
Pension Expense	\$206,117	\$835,873	\$1,041,990

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$29,830	\$174,183	\$204,013
District contributions subsequent to the measurement date	<u>281,733</u>	<u>1,064,004</u>	<u>1,345,737</u>
Total Deferred Outflows of Resources	<u>\$311,563</u>	<u>\$1,238,187</u>	<u>\$1,549,750</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$568,856</u>	<u>\$3,347,247</u>	<u>\$3,916,103</u>

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

\$1,345,737 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$134,757)	(\$793,266)	(\$928,023)
2017	(134,757)	(793,266)	(928,023)
2018	(134,757)	(793,266)	(928,023)
2019	(134,755)	(793,266)	(928,021)
Total	(\$539,026)	(\$3,173,064)	(\$3,712,090)

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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 averaged 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. 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 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. 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 (7.75 percent). 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$5,000,459	\$3,504,905	\$2,247,016

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$25,901,895	\$18,092,856	\$11,489,036

11. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$82,262, and \$77,028 respectively. For fiscal year 2015, 0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**BEAVER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at 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 fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2015, this amount was \$20,450.

Active employee members do not contribute to the post employment benefit plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$21,616, \$3,569, and \$4,050, respectively. For fiscal year 2015, 53 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013, were \$19,507, \$19,374, and \$18,730 respectively. For fiscal year 2015, 53 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

12. OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of ninety days for certified employees and if attendance goal is achieved, up to 15 additional days, one hundred days for administrative/confidential employees, and one hundred days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

Certified Attendance Goal

For the duration of this contract, when an employee retires, under regulations adopted by the Ohio Teachers' Retirement System, he/she shall be paid severance pay as follows for the remaining sick leave days they have accumulated: a severance payment amounting to a maximum of 90 days severance payable over two years with proper documentation of such retirement from STRS.

If the retiree uses equal to or less than average of ten (10) sick days per year for the final three (3) years, a bonus of seven (7) severance days will be added to the severance package. OR

If the retiree uses equal to or less than average of five (5) sick days per year for the final three (3) years, a bonus of fifteen (15) severance days will be added to the severance package.

Life and Medical Insurance

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

The District has contracted with Ohio School Benefits Cooperative to provide employee medical/surgical benefits under a fully insured plan. The District pays medical/surgical and prescription premiums of \$1,319.54 for family coverage and \$568.74 for single coverage per employee per month. The prescription plan includes a \$20.00 charge for brand name prescriptions and \$5.00 for generic.

Dental insurance is also provided by Ohio School Benefits Cooperative. Premiums for dental coverage are \$30.70 for single coverage and \$79.34 for family coverage per employee per month.

The Vision Service Plan provides vision insurance. Premiums for vision coverage are \$9.29 for single coverage and \$21.02 for family coverage per employee per month.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

13. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2015 were as follows:

Governmental Activities	Balance at 6/30/2014	Additions	Deductions	Balance at 6/30/2015	Due Within One Year
OWDA Loan Payable	\$114,193		\$14,269	\$99,924	\$14,556
General Obligation Bonds, Series 2013					
Current Interest Bonds	12,650,000		475,000	12,175,000	485,000
Term Bonds	8,350,000			8,350,000	
Capital Appreciation Bonds	28,614			28,614	
Unamortized Bond Premium	449,311			449,311	
Compensated Absences	729,376		146,450	582,926	80,862
Net Pension Liability	25,670,404		4,072,643	21,597,761	
Capital Leases Payable	80,936		80,936		
Total Governmental Activities Long-Term Liabilities	\$48,072,834	\$0	\$4,788,298	\$43,283,536	\$580,418

The OWDA loan will be paid from the Debt Service Fund. Capital leases will be paid from the General Fund (buses). Compensated absences will be paid from the fund from which the person is paid.

OWDA Loan - On April 25, 2002, the District entered into a loan agreement with OWDA for the purpose of paying for water tap fees. The amount financed was \$270,618 at an interest rate of 2 percent. The loan is being paid through the District's bond retirement fund.

School Facilities Bonds, Series 2012 – On August 8, 2012, the District issued current interest bonds, term bonds, and capital appreciation bonds for the purpose of constructing school facilities (in particular a new high school) under the Ohio School Facilities Commission Classroom Facilities Assistance Program; renovating, improving, and constructing additions to existing school facilities, including improvements to school technology; furnishing and equipping the same and landscaping and improving the sites thereof. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the District at a election held on March 6, 2012.

The current interest bonds shall bear interest at the rates per year and will mature in the principal amounts and on December 1 in the years as follows:

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

13. LONG-TERM OBLIGATIONS (Continued)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$485,000	2.000%
2016	565,000	2.000%
2017	575,000	1.750%
2018	585,000	1.750%
2019	480,000	1.750%
2020	355,000	2.000%
2020	250,000	3.000%
2021	365,000	2.000%
2021	250,000	3.000%
2022	630,000	4.000%
2023	655,000	2.750%
2024	675,000	3.000%
2025	695,000	4.000%
2026	725,000	4.000%
2027	750,000	3.000%
2028	775,000	3.000%
2029	340,000	3.125%
2029	460,000	4.000%
2030	825,000	3.150%
2031	855,000	3.250%
2032	880,000	3.250%

The term bonds which mature on December 1, 2034, have an interest rate of 3.5 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2033	\$910,000
2034	940,000

The term bonds which mature on December 1, 2040, have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

13. LONG-TERM OBLIGATIONS (Continued)

Year	Principal Amount to be Redeemed
2035	\$980,000
2036	1,020,000
2037	1,060,000
2038	1,105,000
2039	1,145,000
2040	1,190,000

The capital appreciation bonds were issued in the aggregate original principal amount of \$28,614 and mature on December 1 in the year, have the original principal amounts and mature with the accreted values at maturity, as follows:

Maturity Date	Original Principal Amount	Accreted Value at Maturity
2019	\$28,614	\$115,000

The scheduled payments of principal and interest on the OWDA Loan at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$14,556	\$1,928	\$16,484
2017	14,849	1,635	16,484
2018	15,147	1,337	16,484
2019	15,452	1,032	16,484
2020	15,762	721	16,483
2021-2023	24,158	567	24,725
Total	\$99,924	\$7,220	\$107,144

The scheduled payments of principal and interest on the current, term, and capital appreciation bonds outstanding at June 30, 2015 are as follows:

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

13. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$485,000	\$676,413	\$1,161,413
2017	565,000	665,913	1,230,913
2018	575,000	655,231	1,230,231
2019	585,000	645,081	1,230,081
2020	508,614	722,148	1,230,762
2021-2025	3,180,000	2,940,169	6,120,169
2026-2030	3,745,000	2,361,262	6,106,262
2031-2035	4,410,000	1,685,700	6,095,700
2036-2040	5,310,000	785,600	6,095,600
2041	1,190,000	23,800	1,213,800
Total	<u>\$20,553,614</u>	<u>\$11,161,317</u>	<u>\$31,714,931</u>

The District's overall legal debt margin was \$931,837 with an unvoted debt margin of \$244,831 at June 30, 2015.

14. CAPITALIZED LEASES – LESSEE DISCLOSURE

During a prior fiscal year, the District entered into lease agreements as a lessee for financing the acquisition of certain capital assets (buses) which was accounted for on a cash basis as an expenditure with an offset amount reported as an other financing source. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The assets acquired under the lease agreements have been capitalized in the statement of net position in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability is recorded in the government-wide financial statements. As of June 30, 2015 the District did not have any outstanding lease agreements.

15. INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2015, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$41,635

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

16. CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

17. SET-ASIDES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Expenditures exceeding the set aside requirements may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside Cash Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	330,062
Qualifying Expenditures During the Fiscal Year	(1,168,957)
Total	(838,895)
Balance of the Set Aside Carried Forward to The Next Fiscal Year Total	\$0

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

18. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficits:

	Deficit
Major Fund	
General	\$1,436,378
Nonmajor Funds	
Food Service	30,373
Jobs Education	3,700
Title IV-B	78,153
Title II-A	63,634

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the funds result from adjustments for accrued liabilities.

19. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General Fund	Bond Retirement Fund	Building Construction Fund	Other Governmental Funds	Total
Restricted for:					
Regular				\$30,455	\$30,455
Special				96,278	96,278
Athletic				18,037	18,037
Facilities Maintenance				340,491	340,491
Debt Retirement		\$643,927			643,927
Permanent Improvements				329,103	329,103
Building Construction			\$10,894,584	416,364	11,310,948
Total Restricted		643,927	10,894,584	1,230,728	12,769,239
Assigned to:					
School Supplies	\$160				160
Rotary	4,140				4,140
Principal Funds	35,585				35,585
Total Assigned	39,885				39,885
Unassigned	(1,476,263)			(205,860)	(1,682,123)
Total Fund Balance	(\$1,436,378)	\$643,927	\$10,894,584	\$1,024,868	\$11,127,001

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

20. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the District has implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, Statement No. 69, “Government Combinations and Disposals of Government Operations”, and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.”

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by the governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District’s pension plan disclosures, as presented in Note 10 to the financial statements, and added required supplementary information which is presented on pages 61 – 64.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

The net position restatement is required in order to implement GASB Statement No. 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

Net Position June 30, 2014	\$19,454,373
Adjustments:	
Net Pension Liability	(25,670,404)
Deferred Outflow – Payments Subsequent to Measurement Date	1,375,056
Restated Net Position June 30, 2014	(\$4,840,975)

21. CONTRACTUAL COMMITMENTS

As of June 30, 2015, the District had the following contractual purchase commitments:

Company	Amount Remaining
Hammond Construction	\$11,014,910

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(CONTINUED)**

22. ENCUMBRANCES

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Building Construction Fund	\$11,014,910
Other Governmental Funds	<u>929</u>
Total	<u>\$11,015,839</u>

23. SUBSEQUENT EVENTS

On September 30, 2015, the District entered into a lease-purchase agreement and associated ground lease for the District's high school sports complex project. The agreement requires the District to make semi-annual base rent payments (including interest) of \$96,559 (totaling \$1.2 million) through April 1, 2022.

Additionally, in April 2016, the District sold property at the Beaver Local School Calcutta Elementary site for \$490,000.

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**BEAVER LOCAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.069254%	0.069254%
School District's Proportionate Share of the Net Pension Liability	\$3,504,906	\$4,118,313
School District's Covered-Employee Payroll	\$2,460,068	\$2,560,325
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	142.47%	160.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

**BEAVER LOCAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.07438438%	0.07438438%
School District's Proportionate Share of the Net Pension Liability	\$18,092,855	\$21,552,091
School District's Covered-Employee Payroll	\$7,954,546	\$8,295,292
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	227.45%	259.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

**BEAVER LOCAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$281,733	\$340,965
Contributions in Relation to the Contractually Required Contribution	<u>(281,733)</u>	<u>(340,965)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,137,577	\$2,460,068
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%

**BEAVER LOCAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,064,004	\$1,034,091
Contributions in Relation to the Contractually Required Contribution	<u>(1,064,004)</u>	<u>(1,034,091)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$7,600,029	\$7,954,546
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)	006	10.555	\$36,652
School Breakfast Program	006	10.553	143,937
National School Lunch Program	006	10.555	334,451
Total Child Nutrition Cluster			<u>515,040</u>
Total U.S. Department of Agriculture			<u>515,040</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	572-9814	84.010	146,549
Title I Grants to Local Educational Agencies	572-9815	84.010	315,241
Title I-D	572-9614	84.010	(5)
Title I-D	572-9615	84.010	12,530
Total Title I Grants to Local Educational Agencies			<u>474,315</u>
Special Education - Grants to States (IDEA, Part B Grant)	516-9114	84.027	41,999
Special Education - Grants to States (IDEA, Part B Grant)	516-9115	84.027	523,559
Total Special Education - Grants to States (IDEA, Part B Grant)			<u>565,558</u>
Improving Teacher Quality - State Grants	590-9814	84.367	17,020
Improving Teacher Quality - State Grants	590-9815	84.367	143,377
Total Improving Teacher Quality - State Grants			<u>160,397</u>
Rural Education Grant	599-9814	84.358	34,145
Total Rural Education Grant			<u>34,145</u>
Total U.S. Department of Education			<u>1,234,415</u>
Total			<u><u>\$1,749,455</u></u>

The accompanying notes are an integral part of this schedule.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Beaver Local School District's (the District's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Beaver Local School District
Columbiana County
46088 Bell School Road
East Liverpool, Ohio 43920

To the Board of Education:

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Beaver Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 25, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 District'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2015-002.

Entity's Response to Findings

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

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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Beaver Local School District
Columbiana County
46088 Bell School Road
East Liverpool, Ohio 43920

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Beaver Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Beaver Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant) and School Breakfast and National School Lunch Programs (Child Nutrition Cluster)

As described in Findings 2015-003 and 2015-004 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-003	84.027	Special Education - Grants to States (IDEA, Part B Grant)	Activities Allowed or Unallowed & Allowable Costs
2015-004	84.027 / 10.553 & 10.555	Special Education - Grants to States (IDEA, Part B Grant) / Child Nutrition Cluster (School Breakfast Program and National School Lunch Program)	Suspension and Debarment

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant) and School Breakfast and National School Lunch Programs (Child Nutrition Cluster)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant) and School Breakfast and National School Lunch Programs* paragraph, the Beaver Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Special Education - Grants to States (IDEA, Part B Grant) and School Breakfast and National School Lunch Programs (Child Nutrition Cluster)* for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004 to be material weaknesses.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 25, 2016

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster – CFDA #10.553 & 10.555; Special Education – Grants to States (IDEA, Part B) CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Financial Reporting - Equity

<i>Finding Number</i>	2015-001
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Material Weakness

The following errors were noted in the preparation of the District's GAAP financial statements. These errors did not impact the District's cash basis records.

1. The District did not properly calculate the Net Investment in Capital Assets. The amount was overstated \$18,532,193. The financial statements were adjusted for this error.
2. The District did not properly calculate the Restricted for Debt Service. The amount was overstated \$318,263. The financial statements were adjusted for this error.
3. The District did not properly calculate the Restricted for Capital Outlay. The amount was understated \$21,480,020. The financial statements were adjusted for this error.
4. The District did not properly calculate the Unrestricted Net Position. The amount was overstated \$2,629,564. The financial statements were adjusted for this error.

The District did not have procedures in place to identify the errors noted. Financial reporting is the responsibility of the District and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures to identify and correct errors and omissions. In addition, the District should review the financial statements and notes prior to submission for audit.

Official's Response: See Correction Action Plan

Receipt Posting

<i>Finding Number</i>	2015-002
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Noncompliance

Ohio Rev. Code Section 5705.10 (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. A grant receipt of \$11,236 was posted to Title I when it should have been posted to Title II-A.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

The following adjustment was proposed and made against the District's Title I Fund (572), in favor of the District's Title IIA Fund (590) in the amount of \$11,236.

The District should adopt policies and procedures for controls over recording of daily financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end.

Official's Response: See Correction Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Special Education – Activities Allowed and Allowable Costs

Finding Number	2015-003
CFDA Title and Number	Special Education – Grants to States (IDEA, Part B); CFDA #84.027
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost, Noncompliance and Material Weakness

The criteria contained in the “Basic Guidelines” section of 2 CFR 225, Appendix A, paragraph C require that to be allowable under Federal awards, costs must, among other things:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of 2 CFR part 225.
- c. Be authorized or not prohibited under State or local laws or regulations.

Further, 20 USC 1413(a)(2) (A)(i) provides that these funds shall be used only to pay the excess costs of providing special education and related services to children with disabilities. Special education includes specially designed instruction, at no cost to the parent, to meet the unique needs of a child with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions and in other settings, and instruction in physical education. Related services include transportation and such developmental, corrective and other supportive services as may be required to assist a child with a disability to benefit from special education.

One of District's stated controls is expenditures paid from the IDEA-B Special Education Program (Fund 516) should be approved by the Special Program Coordinator prior to expenditure. Of the eleven nonpayroll expenditures totaling \$149,505 made from the IDEA-B Special Education Program in fiscal year 2015, five totaling \$148,560 were not approved by the Special Program Coordinator prior to payment.

As a result of the lack of controls, it was also determined, the District expended \$134,787 on 136 MacBooks, related service agreements and professional development from Apple, Inc. from Special Education funds which are not being used to provide special education or related services to children with disabilities, which we consider to be a federal question and cost.

The District should ensure all items and services provided with special education funding are used to provide special education and related services to children with disabilities in accordance with federal requirements and related controls are adhered to.

Official's Response: See Correction Action Plan

Special Education and Child Nutrition Cluster – Suspension and Debarment

Finding Number	2015-004
CFDA Title and Number	Special Education – Grants to States (IDEA, Part B); CFDA #84.027 and Child Nutrition Cluster – CFDA#10.553 and 10.555
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

During fiscal year 2015, the District had no procedures in place to ensure this federal requirement was satisfied and the current Treasurer was unaware of the requirement at the time the testing was performed. As a result, the District entered into transactions with vendors for the IDEA B Special Education Program and Child Nutrition Cluster exceeding \$25,000 but provided no documentation that a verification was performed to ensure these vendors were not suspended or debarred. This could result in expenditures made to parties excluded by the Federal Government.

The District should enact policies and procedures to ensure federal requirements over suspension and debarment are satisfied.

Official's Response: See Correction Action Plan

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Various errors noted in the presentation of the District's financial statements	No	Not corrected - Finding 2015-001

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The District currently outsources the preparation of GAAP financial statements. We have changed providers for the upcoming year and additionally, will ensure they are thoroughly reviewed with the new provider before submission. Please note that the Treasurer provides monthly financial reports to the board and to the public on a cash basis and these errors were not related to those financial statements. Providing financial statements on a GAAP basis is something that the ORC requires, yet not all districts in Ohio opt to report this way.	September 1, 2016	Stacy Williams, Treasurer
2015-002	The corresponding adjustment was proposed and made by the District Treasurer to correct this issue. Additionally, we have implemented additional policies and procedures over our federal programs to ensure that this error does not occur in the future. Our District has also assigned two people to oversee our Federal Programs to further curb off any future errors.	September 1, 2016	Stacy Williams, Treasurer Federal Programs Coordinator
2015-003	We have recently hired a new Special Ed Coordinator who will be able to further assist in the future to ensure that all Federal Monies related to Special Ed are spent specifically for Special Ed. The purchase of these macbooks was in conjunction with a large amount of District Ipads (450,000 dollars' worth) that were also provided to every single special ed student in the district and spent with general fund monies. If a reclass was made, it would be clear that within the year we made a significant investment for our special ed students that more than covers the questioned cost. However, to further enhance our internal controls over our Federal programs, we have recently hired a Federal Programs Coordinator that will focus solely on IDEA B (Special Ed) as well as a Title 1 Coordinator to ensure proper planning and spending of our Federal Funds. These individuals will work in conjunction with the Treasurer to ensure our spending is in line with our District objectives.	September 1, 2016	Stacy Williams, Treasurer Federal Programs Coordinator
2015-004	Being the Treasurer is new to the District, she was unaware of this required procedure. Going forward, as a purchase is made, the Treasurer or Assistant Treasurer will check the "Excluded Parties List System" to ensure no vendors are suspended or debarred by the Federal Government. It should be noted that none of the vendors the District spent money on were excluded or debarred.	September 1, 2016	Stacy Williams, Treasurer Assistant Treasurer, Johnny McComas

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Dave Yost • Auditor of State

BEAVER LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 8, 2016**