



Dave Yost • Auditor of State

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
June 30, 2016**

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BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
June 30, 2016

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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, 2016, 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, 2016, 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.

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 Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 24, 2017, 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 24, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management's discussion and analysis of the Beaver Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- The District's net position of governmental activities increased \$513,754, which represents a 4.27% increase over 2015 restated net position.
- General revenues accounted for \$17,455,082 in revenue or 78.74% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,712,807 or 21.26% of total revenues of \$22,167,889.
- The District had \$21,654,135 in expenses related to governmental activities; only \$4,712,807 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,455,082 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$19,106,379 in revenues and other financing sources and \$18,935,821 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$170,558 from a deficit balance of \$1,436,378 to a deficit balance of \$1,265,820.
- The bond retirement fund had \$1,389,809 in revenues and \$1,215,228 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$174,581 from \$643,927 to \$818,508.
- The classroom facilities fund had \$445,922 in revenues and \$9,617,331 in expenditures and other financing uses. During fiscal year 2016, the classroom facilities fund's fund balance decreased \$9,171,409 from \$10,894,584 to \$1,723,175.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. The 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 governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary assets and liabilities on page 24. These activities are excluded from the District's other financial statements because the resources cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-63 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 64-70 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	Net Position - Governmental Activities	
	2016	Restated 2015
<u>Assets</u>		
Current and other assets	\$ 10,979,056	\$ 21,957,304
Capital assets, net	56,053,974	46,108,766
Total assets	67,033,030	68,066,070
<u>Deferred outflows of resources</u>		
Pension	2,348,290	1,549,300
Total deferred outflows	2,348,290	1,549,300
<u>Liabilities</u>		
Current liabilities	2,104,275	4,226,111
Long-term liabilities:		
Due within one year	887,362	580,418
Due in more than one year:		
Net pension liability	24,181,266	21,597,761
Other amounts	21,382,818	21,105,357
Total liabilities	48,555,721	47,509,647
<u>Deferred inflows of resources</u>		
Property taxes	6,392,567	6,164,029
Pensions	1,893,687	3,916,103
Total deferred inflows	8,286,254	10,080,132
<u>Net Position</u>		
Net investment in capital assets	35,115,332	28,137,085
Restricted	3,012,193	12,639,718
Unrestricted (deficit)	(25,588,180)	(28,751,212)
Total net position	\$ 12,539,345	\$ 12,025,591

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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

Under the standards required by GASB 68, the net pension liability equals the 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.

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.

Overtime, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded the District's liabilities and deferred inflows of resources by \$12,539,345.

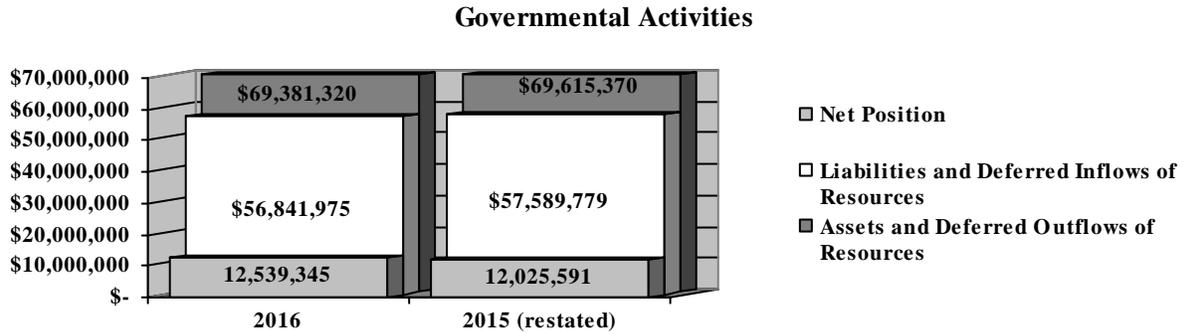
**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

At year-end, capital assets represented 83.62% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2016 was \$35,115,332. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,012,193, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$25,588,180.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2016 and 2015.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below shows the change in net position for fiscal years 2016 and 2015.

	Change in Net Position - Governmental Activities	
	2016	2015
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,424,846	\$ 2,144,894
Operating grants and contributions	2,287,961	1,188,253
General revenues:		
Property taxes	7,136,808	6,987,056
Grants and entitlements	10,106,250	26,724,948
Investment earnings	17,278	(142,164)
Miscellaneous	194,746	93,000
Total revenues	22,167,889	36,995,987
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	10,120,351	10,027,564
Special	2,862,900	2,627,730
Other	57,631	25,141
Support services:		
Pupil	630,541	746,938
Instructional staff	551,498	214,294
Board of education	32,641	33,437
Administration	1,559,396	1,461,899
Fiscal	575,527	561,930
Operations and maintenance	1,641,179	1,590,671
Pupil transportation	1,176,823	1,293,531
Central	76,429	74,108
Operation of non-instructional services:		
Food service operations	904,125	719,251
Extracurricular activities	720,253	509,857
Interest and fiscal charges	744,841	683,364
Total expenses	21,654,135	20,569,715
Change in net position	513,754	16,426,272
Net position at beginning of year (restated)	12,025,591	(4,400,681)
Net position at end of year	\$ 12,539,345	\$ 12,025,591

Governmental Activities

Net position of the District's governmental activities increased \$513,754. Total governmental expenses of \$21,654,135 were offset by program revenues of \$4,712,807 and general revenues of \$17,455,082. Program revenues supported 21.76% of the total governmental expenses.

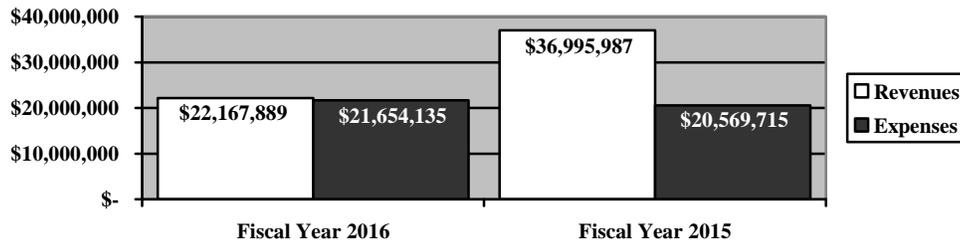
**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 77.78% of total governmental revenue. Grants and entitlements revenue decreased \$16,618,698 due to a decrease in revenue from the Ohio Schools Facilities Commission. The District's construction project was in its final stages during fiscal year 2016. In total, the District's expenses increased 5.28% from expenses for fiscal year 2015. This is primarily due to the increase in depreciation expense due to the completion of the District's construction project.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



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

	Governmental Activities			
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	\$ 10,120,351	\$ 8,458,606	\$ 10,027,564	\$ 8,215,784
Special	2,862,900	960,667	2,627,730	2,038,926
Other	57,631	57,631	25,141	25,141
Support services:				
Pupil	630,541	617,829	746,938	746,938
Instructional staff	551,498	551,498	214,294	214,294
Board of education	32,641	32,641	33,437	33,437
Administration	1,559,396	1,559,396	1,461,899	1,461,899
Fiscal	575,527	575,527	561,930	561,930
Operation and maintenance	1,641,179	1,641,179	1,590,671	1,590,671
Pupil transportation	1,176,823	1,144,871	1,293,531	1,283,379
Central	76,429	76,429	74,108	74,108
Operation of non-instructional services:				
Food service operations	904,125	106,805	719,251	38,410
Extracurricular activities	720,253	413,408	509,857	268,287
Interest and fiscal charges	744,841	744,841	683,364	683,364
Total expenses	\$ 21,654,135	\$ 16,941,328	\$ 20,569,715	\$ 17,236,568

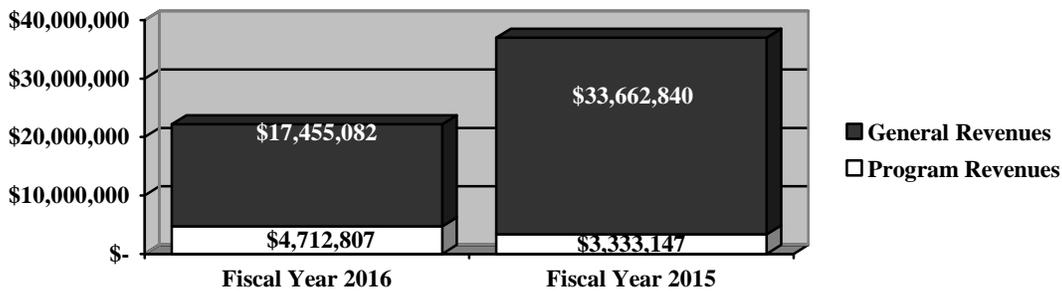
**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 72.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.24%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,571,215, which is less than last year's total of \$11,127,001. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance (deficit) June 30, 2016	Fund Balance (deficit) June 30, 2015	Increase (Decrease)
General	\$ (1,265,820)	\$ (1,436,378)	\$ 170,558
Bond retirement	818,508	643,927	174,581
Classroom facilities	1,723,175	10,894,584	(9,171,409)
Nonmajor governmental	295,352	1,024,868	(729,516)
Total	<u>\$ 1,571,215</u>	<u>\$ 11,127,001</u>	<u>\$ (9,555,786)</u>

General Fund

The District's general fund balance increased \$170,558. Taxes revenue increased \$141,808, or 2.46%, which offset the \$156,146 decrease in intergovernmental revenue. Overall, revenues increased \$197,578 over fiscal year 2015.

In total, expenditures of the general fund increased 4.24%. The largest portion of the increase was for instructional expenditures. This is due to customary wage and benefit increases.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	2016 Amount	2015 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 5,917,538	\$ 5,775,730	\$ 141,808	2.46 %
Tuition and fees	1,782,417	1,688,126	94,291	5.59 %
Earnings on investments	432	753	(321)	(42.63) %
Intergovernmental	10,436,839	10,592,985	(156,146)	(1.47) %
Other revenues	<u>316,997</u>	<u>199,051</u>	<u>117,946</u>	59.25 %
Total	<u>\$ 18,454,223</u>	<u>\$ 18,256,645</u>	<u>\$ 197,578</u>	1.08 %
<u>Expenditures</u>				
Instruction	\$ 12,297,778	\$ 11,826,782	\$ 470,996	3.98 %
Support services	5,844,151	5,769,772	74,379	1.29 %
Extracurricular activities	462,803	355,225	107,578	30.28 %
Debt service	<u>195,816</u>	<u>84,611</u>	<u>111,205</u>	131.43 %
Total	<u>\$ 18,800,548</u>	<u>\$ 18,036,390</u>	<u>\$ 764,158</u>	4.24 %

Bond Retirement Fund

The bond retirement fund had \$1,389,809 in revenues and \$1,215,228 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$174,581 from \$643,927 to a balance of \$818,508.

Classroom Facilities Fund

The classroom facilities fund had \$445,922 in revenues and \$9,617,331 in expenditures and other financing uses. During fiscal year 2016, the classroom facilities fund's fund balance decreased \$9,171,409 from \$10,894,584 to a balance of \$1,723,175. This was due to the completion of the District's construction project.

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.

For the general fund, original budgeted revenues and other financing sources of \$18,561,510 were unchanged during fiscal year 2016. Actual revenues and other financing sources for fiscal year 2016 were \$19,022,559, which was \$461,049 greater than the final budgeted revenues and other financing sources.

General fund original budgeted expenditures and other financing uses of \$18,272,223 were unchanged during fiscal year 2016. The actual budget basis expenditures and for fiscal year 2016 were \$539,727 greater than the amount in the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$56,053,974 invested in land, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in the governmental activities. The following table shows fiscal year 2016 balances compared to 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	Governmental Activities	
	2016	Restated 2015
Land	\$ 330,345	\$ 496,847
Construction in progress	-	42,261,465
Building and improvements	52,367,067	2,661,898
Furniture and equipment	2,803,140	95,372
Vehicles	553,422	593,184
Total	\$ 56,053,974	\$ 46,108,766

The overall increase in capital assets of \$9,945,208 is due to capital asset additions of \$13,406,365 exceeding depreciation expense of \$1,041,902 and capital asset disposals of \$2,419,255, net of accumulated depreciation. See Note 8 to the basic financial statements for additional information regarding the District's capital assets.

Debt Administration

At June 30, 2016, the District had \$21,212,248 in general obligation bonds, OWDA loans and lease-purchase agreements outstanding. Of this total, \$735,484 is due within one year and \$20,476,764 is due in more than one year. The following table summarizes outstanding debt obligations at June 30, 2016 and June 30, 2015.

Outstanding Debt, at Year End

	Governmental Activities 2016	Governmental Activities 2015
General obligation bonds	\$ 20,099,012	\$ 20,553,614
Lease purchase agreement	1,027,788	-
OWDA loan	85,448	99,924
Total	\$ 21,212,248	\$ 20,653,538

See Note 10 to the basic financial statements for further detail on the District's debt administration.

Current Financial Related Activities

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 2017, 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 operating expenses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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. The District will receive the same funding for FY17 as in the past and will be a "guarantee" district meaning that its 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 an 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 order to obtain this.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mrs. Stacy Williams, who serves as Treasurer/CFO, at Beaver Local School District, 46088 Bell School Road, East Liverpool, Ohio 43920.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,878,157
Cash with escrow agent	630,979
Receivables:	
Property taxes	6,939,805
Intergovernmental	530,115
Capital assets:	
Nondepreciable capital assets	330,345
Depreciable capital assets, net.	55,723,629
Capital assets, net	56,053,974
Total assets.	67,033,030
 Deferred outflows of resources:	
Pension - STRS	1,966,351
Pension - SERS	381,939
Total deferred outflows of resources	2,348,290
 Liabilities:	
Accounts payable.	76,317
Accrued wages and benefits payable	1,542,958
Intergovernmental payable	176,944
Pension and postemployment benefits payable.	242,356
Accrued interest payable	65,700
Long-term liabilities:	
Due within one year.	887,362
Due in more than one year:	
Net pension liability	24,181,266
Other amounts due in more than one year	21,382,818
Total liabilities	48,555,721
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	6,392,567
Pension - STRS.	1,696,429
Pension - SERS.	197,258
Total deferred inflows of resources	8,286,254
 Net position:	
Net investment in capital assets	35,115,332
Restricted for:	
Capital projects	1,891,416
Classroom facilities maintenance	292,871
Debt service.	787,232
Locally funded programs	12,297
State funded programs.	3,789
Federally funded programs	1,435
Student activities	23,153
Unrestricted (deficit)	(25,588,180)
Total net position.	\$ 12,539,345

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental activities:				
Instruction:				
Regular	\$ 10,120,351	\$ 1,657,545	\$ 4,200	\$ (8,458,606)
Special	2,862,900	106,306	1,795,927	(960,667)
Other	57,631	-	-	(57,631)
Support services:				
Pupil	630,541	-	12,712	(617,829)
Instructional staff	551,498	-	-	(551,498)
Board of education	32,641	-	-	(32,641)
Administration	1,559,396	-	-	(1,559,396)
Fiscal	575,527	-	-	(575,527)
Operations and maintenance	1,641,179	-	-	(1,641,179)
Pupil transportation	1,176,823	20,159	11,793	(1,144,871)
Central	76,429	-	-	(76,429)
Operation of non-instructional services:				
Food service operations	904,125	333,991	463,329	(106,805)
Extracurricular activities	720,253	306,845	-	(413,408)
Interest and fiscal charges	744,841	-	-	(744,841)
Total governmental activities	<u>\$ 21,654,135</u>	<u>\$ 2,424,846</u>	<u>\$ 2,287,961</u>	<u>(16,941,328)</u>
General revenues:				
Property taxes levied for:				
General purposes				5,841,554
Debt service				1,174,692
Classroom facilities				120,562
Grants and entitlements not restricted				
to specific programs				10,106,250
Investment earnings				17,278
Miscellaneous				194,746
Total general revenues				<u>17,455,082</u>
Change in net position				513,754
Net position at beginning of year (restated)				<u>12,025,591</u>
Net position at end of year				<u>\$ 12,539,345</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ -	\$ 663,377	\$ 1,723,175	\$ 491,605	\$ 2,878,157
Cash with escrow agent.	-	-	-	630,979	630,979
Receivables:					
Property taxes.	5,682,333	1,140,091	-	117,381	6,939,805
Interfund loans	41,635	-	-	-	41,635
Intergovernmental.	1,296	-	-	528,819	530,115
Due from other funds	474,147	118,904	-	-	593,051
Total assets	<u>\$ 6,199,411</u>	<u>\$ 1,922,372</u>	<u>\$ 1,723,175</u>	<u>\$ 1,768,784</u>	<u>\$ 11,613,742</u>
Liabilities:					
Accounts payable	\$ 76,317	\$ -	\$ -	\$ -	\$ 76,317
Accrued wages and benefits payable	1,368,891	-	-	174,067	1,542,958
Compensated absences payable	117,715	-	-	-	117,715
Intergovernmental payable	175,322	-	-	1,622	176,944
Pension and postemployment benefits payable	222,029	-	-	20,327	242,356
Interfund loans payable.	-	-	-	41,635	41,635
Due to other funds	-	-	-	593,051	593,051
Total liabilities.	<u>1,960,274</u>	<u>-</u>	<u>-</u>	<u>830,702</u>	<u>2,790,976</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	5,235,154	1,048,778	-	108,635	6,392,567
Delinquent property tax revenue not available.	269,803	55,086	-	5,276	330,165
Intergovernmental revenue not available.	-	-	-	528,819	528,819
Total deferred inflows of resources	<u>5,504,957</u>	<u>1,103,864</u>	<u>-</u>	<u>642,730</u>	<u>7,251,551</u>
Fund balances:					
Restricted:					
Debt service	-	818,508	-	-	818,508
Capital improvements	-	-	1,723,175	799,220	2,522,395
Classroom facilities maintenance	-	-	-	287,595	287,595
Other purposes.	-	-	-	16,086	16,086
Extracurricular	-	-	-	23,153	23,153
Assigned:					
Student and staff support.	16,461	-	-	-	16,461
Other purposes.	6,587	-	-	-	6,587
Unassigned (deficit).	<u>(1,288,868)</u>	<u>-</u>	<u>-</u>	<u>(830,702)</u>	<u>(2,119,570)</u>
Total fund balances (deficit).	<u>(1,265,820)</u>	<u>818,508</u>	<u>1,723,175</u>	<u>295,352</u>	<u>1,571,215</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,199,411</u>	<u>\$ 1,922,372</u>	<u>\$ 1,723,175</u>	<u>\$ 1,768,784</u>	<u>\$ 11,613,742</u>

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, 2016

Total governmental fund balances		\$ 1,571,215
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		56,053,974
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 330,165	
Intergovernmental receivable	528,819	
Total		858,984
Unamortized premiums on bonds issued are not recognized in the funds.		(387,771)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(65,700)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - pension	2,348,290	
Deferred inflows - pension	(1,893,687)	
Net pension liability	(24,181,266)	
Total		(23,726,663)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(20,099,012)	
Capital lease obligations	(1,027,788)	
Compensated absences	(552,446)	
OWDA loan	(85,448)	
Total		(21,764,694)
Net position of governmental activities		\$ 12,539,345

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, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 5,917,538	\$ 1,190,154	\$ -	\$ 122,042	\$ 7,229,734
Tuition	1,707,923	-	-	-	1,707,923
Transportation fees	20,159	-	-	-	20,159
Earnings on investments	432	-	16,052	829	17,313
Charges for services	-	-	-	281,453	281,453
Extracurricular	123,491	-	-	183,354	306,845
Classroom materials and fees	54,335	-	-	-	54,335
Other local revenues	193,506	-	-	55,371	248,877
Intergovernmental - intermediate	-	-	-	1,500	1,500
Intergovernmental - state	10,436,839	199,655	429,870	19,222	11,085,586
Intergovernmental - federal	-	-	-	795,343	795,343
Total revenues	<u>18,454,223</u>	<u>1,389,809</u>	<u>445,922</u>	<u>1,459,114</u>	<u>21,749,068</u>
Expenditures:					
Current:					
Instruction:					
Regular	10,367,812	-	-	38,486	10,406,298
Special	1,871,215	-	-	976,439	2,847,654
Other	58,751	-	-	-	58,751
Support services:					
Pupil	572,332	-	-	12,614	584,946
Instructional staff	349,112	-	-	27	349,139
Board of education	32,641	-	-	-	32,641
Administration	1,545,078	-	-	675	1,545,753
Fiscal	523,121	29,073	-	18,684	570,878
Operations and maintenance	1,472,288	-	364	165,558	1,638,210
Pupil transportation	1,281,564	-	-	-	1,281,564
Central	68,015	-	-	-	68,015
Operation of non-instructional services:					
Food service operations	-	-	-	877,829	877,829
Extracurricular activities	462,803	-	-	178,238	641,041
Facilities acquisition and construction	-	-	9,160,967	1,580,233	10,741,200
Debt service:					
Principal retirement	172,212	499,476	-	-	671,688
Interest and fiscal charges	23,604	686,679	-	-	710,283
Total expenditures	<u>18,800,548</u>	<u>1,215,228</u>	<u>9,161,331</u>	<u>3,848,783</u>	<u>33,025,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(346,325)</u>	<u>174,581</u>	<u>(8,715,409)</u>	<u>(2,389,669)</u>	<u>(11,276,822)</u>
Other financing sources (uses):					
Sale/loss of assets	196,156	-	-	324,880	521,036
Transfers in	456,000	-	-	335,273	791,273
Transfers (out)	(135,273)	-	(456,000)	(200,000)	(791,273)
Capital lease transaction	-	-	-	1,200,000	1,200,000
Total other financing sources (uses)	<u>516,883</u>	<u>-</u>	<u>(456,000)</u>	<u>1,660,153</u>	<u>1,721,036</u>
Net change in fund balances	170,558	174,581	(9,171,409)	(729,516)	(9,555,786)
Fund balances (deficit) at beginning 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>
Fund balances (deficit) at end of year	<u>\$ (1,265,820)</u>	<u>\$ 818,508</u>	<u>\$ 1,723,175</u>	<u>\$ 295,352</u>	<u>\$ 1,571,215</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	(9,555,786)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 13,406,365	
Current year depreciation	<u>(1,041,902)</u>	
Total		12,364,463
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(2,419,255)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(92,926)	
Intergovernmental	<u>511,747</u>	
Total		418,821
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		671,688
Issuance of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(1,200,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) in accrued interest payable	(65,700)	
Accreted interest on capital appreciation bonds	(30,398)	
Amortization of bond premiums	<u>61,540</u>	
Total		(34,558)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,357,734
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,119,833)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>30,480</u>
Change in net position of governmental activities	\$	<u>513,754</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 5,795,070	\$ 5,795,070	\$ 5,526,304	\$ (268,766)
Tuition	1,666,529	1,666,529	1,707,923	41,394
Transportation fees	21,789	21,789	22,330	541
Earnings on investments	422	422	432	10
Classroom materials and fees	41,595	41,595	42,628	1,033
Other local revenues	187,262	187,262	191,913	4,651
Intergovernmental - state	10,208,267	10,208,267	10,874,540	666,273
Total revenues	<u>17,920,934</u>	<u>17,920,934</u>	<u>18,366,070</u>	<u>445,136</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,927,723	9,927,723	10,220,969	(293,246)
Special	1,829,489	1,829,489	1,883,529	(54,040)
Other	56,983	56,983	58,666	(1,683)
Support services:				
Pupil	521,217	521,217	536,613	(15,396)
Instructional staff	350,182	350,182	360,526	(10,344)
Board of education	31,861	31,861	32,802	(941)
Administration	1,566,963	1,566,963	1,613,248	(46,285)
Fiscal	531,837	531,837	547,546	(15,709)
Operations and maintenance	1,475,925	1,475,925	1,519,521	(43,596)
Pupil transportation	1,271,138	1,271,138	1,308,685	(37,547)
Central	72,104	72,104	74,234	(2,130)
Extracurricular activities	315,211	315,211	324,522	(9,311)
Debt service:				
Principal retirement	167,271	167,271	172,212	(4,941)
Interest and fiscal charges	22,927	22,927	23,604	(677)
Total expenditures	<u>18,140,831</u>	<u>18,140,831</u>	<u>18,676,677</u>	<u>(535,846)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(219,897)</u>	<u>(219,897)</u>	<u>(310,607)</u>	<u>(90,710)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	4,228	4,228	4,333	105
Transfers in	444,947	444,947	456,000	11,053
Transfers (out)	(131,392)	(131,392)	(135,273)	(3,881)
Sale of capital assets	191,401	191,401	196,156	4,755
Total other financing sources (uses)	<u>509,184</u>	<u>509,184</u>	<u>521,216</u>	<u>12,032</u>
Net change in fund balance	289,287	289,287	210,609	(78,678)
Fund balance at beginning of year	<u>240,490</u>	<u>240,490</u>	<u>240,490</u>	<u>-</u>
Fund balance at end of year	<u>\$ 529,777</u>	<u>\$ 529,777</u>	<u>\$ 451,099</u>	<u>\$ (78,678)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 79,181
Total assets.	<u>\$ 79,181</u>
Liabilities:	
Due to students.	\$ 79,181
Total liabilities	<u>\$ 79,181</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, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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. Beaver Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District’s instructional facility staffed by 72 non-certified and 127 certified full-time teaching personnel who provide services to 1,890 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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. The Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 23 school districts, 1 community school, 2 educational service centers and 2 career and technical centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The nine-member Board of Directors consists of 2 treasurers and 6 superintendents from participating school districts. The ACCESS treasurer is an ex-officio member of the Board of Directors. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512.

Columbiana County Career and Technical Center

The Columbiana County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Columbiana County Career and Technical Center, Katherine Bosco, who serves as Treasurer, at 9364 State Route 45, Lisbon, Ohio 44432.

INSURANCE PURCHASING POOL

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP is sponsored by OASBO and administered by CompManagements, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus 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 and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for monies received and expended in connection with the contracts entered into by the District and the Ohio Facilities Construction Commission (OFCC) for the building and equipping of classroom facilities.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

C. Basis of Presentation and Measurement Focus

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources 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.

D. Basis of Accounting

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 13 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the 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, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

E. 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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

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 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 Columbiana County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as 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 2016.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

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, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

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.

Lapsing of Appropriations:

At the close of each fiscal 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 Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2016, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio investments are reported at fair value which is based on quoted market prices.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The District's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the District. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$432, which includes \$317 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

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

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

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2016, the District increased its capitalization threshold from \$1,000 to \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 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:

Description	Governmental Activities Estimated Lives
Buildings and building improvements	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees over the age of fifty with at least ten years of service or any age with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

J. Accrued Liabilities and Long-Term Obligations

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 loans are recognized as a liability on the governmental fund financial statements when due.

K. Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 10.A.

L. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

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

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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

N. 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.

O. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans between governmental funds are classified as "interfund loans receivable/payable". On fund financial statements, receivables and payables resulting from short-term interfund loans to cover negative cash balances are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column on the statement of net position.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

P. Interfund Activity

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

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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 1,265,820
 <u>Nonmajor funds</u>	
Food service	140,882
Education jobs	3,700
Title VI-B	259,618
Title I	351,483
IDEA handicapped preschool	10,256
Title II-A	64,763

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

C. Restatement of Net Position

The District has restated its net position to account for reappraisal in amounts previously reported in the buildings and improvements category of capital assets and accumulated depreciation on capital assets. The net position of the governmental activities at July 1, 2015 has been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 11,585,297
Correction to capital assets	1,317,478
Correction to accumulated depreciation	<u>(877,184)</u>
Restated net position at July 1, 2015	<u>\$ 12,025,591</u>

See Note 8 for further detail on the District's capital assets and the effect of the restatement.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Escrow Agent

At June 30, 2016, \$630,979 was on deposit at First Merit Bank related to the District's stadium lease-purchase agreement discussed in Note 9. This amount is not part of the District's internal investment pool and has been excluded from the total amount of deposits reported below. The balance of this account is reported on the financial statements as "cash with escrow agent".

B. Cash on Hand

At fiscal year end, the District had \$2,595 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

C. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$2,943,715. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2016, \$3,027,883 of the District's bank balance of \$3,278,520 was exposed to custodial risk as discussed below, while \$250,637 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2016, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 11,028	\$ 11,028

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating by at least one nationally recognized standard rating service.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 11,028	100%

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,943,715
Cash with escrow agent	630,979
Cash on hand	2,595
Investments	<u>11,028</u>
Total	<u>\$ 3,588,317</u>

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,509,136
Agency fund	<u>79,181</u>
Total	<u>\$ 3,588,317</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances for the year ended June 30, 2016, consisted of the following interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 41,635</u>

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

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

- B. Interfund balances consisted of the following due to/from other funds at June 30, 2016, as reported on the fund statements:

<u>Due from nonmajor governmental funds to:</u>		<u>Amount</u>
General fund		\$ 474,147
Bond retirement		<u>118,904</u>
		<u>\$ 593,051</u>

The primary purpose of the interfund loans due to the general fund and bond retirement fund are to cover negative cash balances in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received.

Amounts due to/from other funds between governmental funds 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, 2016

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 135,273
<u>Transfers from classroom facilities fund to:</u>	
General fund	456,000
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>200,000</u>
Total	<u>\$ 791,273</u>

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

The transfer of \$456,000 from the classroom facilities fund to the general fund was to reimburse the general fund for construction expenditures previously recorded.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported on the statement of activities.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$177,376 in the general fund, \$36,227 in the bond retirement fund, and \$3,470 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$198,852 in the general fund, \$40,650 in the bond retirement fund, and \$3,893 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 231,086,580	94.38	\$ 231,868,970	92.23
Public utility personal	<u>13,744,110</u>	<u>5.62</u>	<u>19,543,680</u>	<u>7.77</u>
Total	<u>\$ 244,830,690</u>	<u>100.00</u>	<u>\$ 251,412,650</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.62		\$ 36.62	

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016, consisted of property taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Governmental activities:

Property taxes	\$ 6,939,805
Intergovernmental	<u>530,115</u>
Total	<u>\$ 7,469,920</u>

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

NOTE 8 - CAPITAL ASSETS

Governmental activities capital assets have been restated at July 1, 2015 to account for reappraisal in the amounts previously reported for building and improvements capital assets and accumulated depreciation on capital assets. The restatement had the following effect on balances as previously reported:

	Balance June 30, 2015	Restatement	Restated Balance July 1, 2015
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 496,847	\$ -	\$ 496,847
Construction in progress	<u>42,261,465</u>	<u>-</u>	<u>42,261,465</u>
Total capital assets, not being depreciated	<u>42,758,312</u>	<u>-</u>	<u>42,758,312</u>
Capital assets, being depreciated:			
Building and improvements	4,555,086	1,317,478	5,872,564
Furniture and equipment	2,247,669	-	2,247,669
Vehicles	<u>1,856,674</u>	<u>-</u>	<u>1,856,674</u>
Total capital assets, being depreciated	<u>8,659,429</u>	<u>1,317,478</u>	<u>9,976,907</u>
Less: accumulated depreciation			
Building and improvements	(2,333,482)	(877,184)	(3,210,666)
Furniture and equipment	(2,152,297)	-	(2,152,297)
Vehicles	<u>(1,263,490)</u>	<u>-</u>	<u>(1,263,490)</u>
Total accumulated depreciation	<u>(5,749,269)</u>	<u>(877,184)</u>	<u>(6,626,453)</u>
Governmental activities capital assets, net	<u>\$ 45,668,472</u>	<u>\$ 440,294</u>	<u>\$ 46,108,766</u>

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS - (Continued)

Governmental activities capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Restated Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 496,847	\$ -	\$ (166,502)	\$ 330,345
Construction in progress	<u>42,261,465</u>	<u>10,741,200</u>	<u>(53,002,665)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>42,758,312</u>	<u>10,741,200</u>	<u>(53,169,167)</u>	<u>330,345</u>
Capital assets, being depreciated:				
Building and improvements	5,872,564	52,541,514	(3,817,201)	54,596,877
Furniture and equipment	2,247,669	2,930,316	(1,993,222)	3,184,763
Vehicles	<u>1,856,674</u>	<u>196,000</u>	<u>(177,960)</u>	<u>1,874,714</u>
Total capital assets, being depreciated	<u>9,976,907</u>	<u>55,667,830</u>	<u>(5,988,383)</u>	<u>59,656,354</u>
Less: accumulated depreciation				
Building and improvements	(3,210,666)	(751,662)	1,732,518	(2,229,810)
Furniture and equipment	(2,152,297)	(222,548)	1,993,222	(381,623)
Vehicles	<u>(1,263,490)</u>	<u>(67,692)</u>	<u>9,890</u>	<u>(1,321,292)</u>
Total accumulated depreciation	<u>(6,626,453)</u>	<u>(1,041,902)</u>	<u>3,735,630</u>	<u>(3,932,725)</u>
Governmental activities capital assets, net	<u>\$ 46,108,766</u>	<u>\$ 65,367,128</u>	<u>\$ (55,421,920)</u>	<u>\$ 56,053,974</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 400,228
Special	75,166
Support services:	
Pupil support	37,583
Instructional staff	206,950
Administration	37,583
Fiscal	183
Operations and maintenance	78,079
Pupil transportation	68,571
Food service operations	84,459
Extracurricular activities	<u>53,100</u>
Total depreciation expense	<u>\$ 1,041,902</u>

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2016, the District entered into a \$1,200,000 lease-purchase agreement with First Merit Equipment Finance, Inc. for the lease and eventual acquisition of improvements to the District's high school stadium and related appurtenances. This lease meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term.

The following is a schedule of the future long-term minimum lease payments required under the lease agreements and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30</u>	<u>Stadium</u>
2017	\$ 193,117
2018	193,117
2019	193,117
2020	193,118
2021	193,118
2022	<u>193,118</u>
Total minimum lease payments	1,158,705
Less: amount representing interest	<u>(130,917)</u>
Total	<u>\$ 1,027,788</u>

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

	Balance 06/30/15	Additions	Reductions	Balance 06/30/16	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
Series 2013 bonds:					
Current interest bonds	\$ 20,525,000	\$ -	\$ (485,000)	\$ 20,040,000	\$ 565,000
Capital appreciation bonds	28,614	-	-	28,614	-
Accreted interest	-	30,398	-	30,398	-
Total general obligation bonds	20,553,614	30,398	(485,000)	20,099,012	565,000
Other long-term obligations:					
OWDA loan payable	99,924	-	(14,476)	85,448	14,849
Stadium lease purchase	-	1,200,000	(172,212)	1,027,788	155,635
Net pension liability	21,597,761	2,583,505	-	24,181,266	-
Compensated absences payable	582,926	340,297	(253,062)	670,161	151,878
Total governmental activities long-term liabilities	\$ 42,834,225	\$ 4,154,200	\$ (924,750)	46,063,675	\$ 887,362
Add: unamortized premium				387,771	
Total on statement of net position				\$ 46,451,446	

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

A discussion of the District's net pension liability is located in Note 13.

See Note 9 for a discussion of the District's lease purchase obligation.

B. OWDA Loan

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of future annual debt service requirements to maturity for the District's OWDA loan:

Year Ended June 30,	OWDA Loan		
	Principal	Interest	Total
2017	\$ 14,849	\$ 1,635	\$ 16,484
2018	15,147	1,337	16,484
2019	15,451	1,032	16,483
2020	15,762	722	16,484
2021	16,079	405	16,484
2022	8,160	81	8,241
Total	<u>\$ 85,448</u>	<u>\$ 5,212</u>	<u>\$ 90,660</u>

C. General Obligation Bonds - Series 2013

On August 8, 2012, the District issued \$21,498,614 in general obligations bonds. The bond issue represents the District's local share and local funded initiatives of a construction project approved and significantly funded by the Ohio Facilities Construction Commission (OFCC). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the bond retirement fund.

This issue is comprised of both current interest bonds, par value \$21,470,000, and capital appreciation bonds, par value \$28,614. The interest rates on the current interest bonds range from 1.75% to 4.00%. The capital appreciation bonds mature on December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$115,000. A total of \$30,398 in accreted interest on the capital appreciation bonds has been included in the statement of net position at June 30, 2016.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2040.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of future annual debt service requirements to maturity for the District's general obligation bonds:

Year Ended	Series 2013 General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 565,000	\$ 665,912	\$ 1,230,912	\$ -	\$ -	\$ -
2018	575,000	655,232	1,230,232	-	-	-
2019	585,000	645,081	1,230,081	-	-	-
2020	480,000	635,762	1,115,762	28,614	86,386	115,000
2021	605,000	624,263	1,229,263	-	-	-
2022 - 2026	3,270,000	2,840,707	6,110,707	-	-	-
2027 - 2031	3,875,000	2,230,593	6,105,593	-	-	-
2032 - 2036	4,565,000	1,531,969	6,096,969	-	-	-
2037- 2041	5,520,000	569,000	6,089,000	-	-	-
Total	<u>\$ 20,040,000</u>	<u>\$ 10,398,519</u>	<u>\$ 30,438,519</u>	<u>\$ 28,614</u>	<u>\$ 86,386</u>	<u>\$ 115,000</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$3,377,033 (including available funds of \$818,508) and an unvoted debt margin of \$251,413.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. 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.

**BEAVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

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 and SERS.

B. Certified Attendance Goal

For the duration of this contract, when an employee retires, under regulations adopted by STRS, 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 sick days per year for the final three years, a bonus of seven severance days will be added to the severance package or if the retiree uses equal to or less than average of five sick days per year for the final three years, a bonus of fifteen severance days will be added to the severance package.

C. 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 \$1,410.86 for family coverage and \$609.18 for single coverage per employee per month per the OAPSE negotiated agreement. The District pays medical/surgical and prescription amounts of \$1,374 for family coverage and \$593 for single coverage per employee per month for all other employees. The prescription plan includes a charge of \$20 for brand name prescriptions and \$5 for generic.

Dental insurance is also provided by Ohio School Benefits Cooperative. Premiums for dental coverage are \$25 for single coverage and \$74.95 for family coverage per employee per month.

The Vision Service Plan provides vision insurance. Premiums for vision coverage are \$21.02 for single coverage and \$25 for family coverage per employee per month.

NOTE 12 - 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 2016, the District had a \$500 deductible per occurrence. Ohio Casualty Insurance Company provides liability insurance with a \$5,000,000 aggregate limit.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - RISK MANAGEMENT - (Continued)

Traveler's Casualty and Surety Company of America with a \$500 deductible 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 2016, the District participated in the OASBO Workers' Compensation Group Rating Plan (GRP), an 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 tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

The 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.

**BEAVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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 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.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$319,164 for fiscal year 2016. Of this amount, \$31,594 is reported as pension and postemployment benefits payable.

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 years 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 years 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.

**BEAVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,038,570 for fiscal year 2016. Of this amount, \$174,664 is reported as pension and postemployment benefits 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, 2015, 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 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	\$ 3,862,914	\$ 20,318,352	\$ 24,181,266
Proportion of the net pension liability	0.06769800%	0.07351846%	
Pension expense	\$ 234,748	\$ 885,085	\$ 1,119,833

**BEAVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2016, 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	\$ 62,775	\$ 927,781	\$ 990,556
District contributions subsequent to the measurement date	<u>319,164</u>	<u>1,038,570</u>	<u>1,357,734</u>
Total deferred outflows of resources	<u>\$ 381,939</u>	<u>\$ 1,966,351</u>	<u>\$ 2,348,290</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 137,577	\$ 1,490,498	\$ 1,628,075
Changes in proportionate share	<u>59,681</u>	<u>205,931</u>	<u>265,612</u>
Total deferred inflows of resources	<u>\$ 197,258</u>	<u>\$ 1,696,429</u>	<u>\$ 1,893,687</u>

\$1,357,734 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (68,649)	\$ (390,479)	\$ (459,128)
2018	(68,649)	(390,479)	(459,128)
2019	(68,651)	(390,479)	(459,130)
2020	<u>71,466</u>	<u>402,789</u>	<u>474,255</u>
Total	<u>\$ (134,483)</u>	<u>\$ (768,648)</u>	<u>\$ (903,131)</u>

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.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 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

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:

**BEAVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,356,473	\$ 3,862,914	\$ 2,605,213

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact on the District's net pension liability is expected to be significant.

**BEAVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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, 2013, 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, 2015, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**BEAVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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	\$ 28,223,724	\$ 20,318,352	\$ 13,633,181

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$35,224.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$35,224, \$21,616, and \$3,569, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. 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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care 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 years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$82,262, respectively. The full amount has been contributed for fiscal year 2014.

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	326,499
Current year qualifying expenditures	(182,212)
Current year offsets	(131,160)
Prior year offset from bond proceeds	<u>(13,127)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 210,609
Net adjustment for revenue accruals	(49,168)
Net adjustment for expenditure accruals	30,287
Net adjustment for other sources/uses	(4,333)
Funds budgeted elsewhere	(16,837)
GAAP basis	\$ 170,558

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 uniform school supplies fund, the public school support fund and the internal rotary fund.

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 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, 2016 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.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
Classroom facilities	\$ 1,685,283
Other governmental	<u>5,686</u>
Total	<u>\$ 1,690,969</u>

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06769800%	0.06925400%	0.06925400%
District's proportionate share of the net pension liability	\$ 3,862,914	\$ 3,504,906	\$ 4,118,313
District's covered-employee payroll	\$ 2,137,580	\$ 2,460,065	\$ 2,560,325
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.71%	142.47%	160.85%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

Note: Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07351846%	0.07438438%	0.07438438%
District's proportionate share of the net pension liability	\$ 20,318,352	\$ 18,092,855	\$ 21,552,091
District's covered-employee payroll	\$ 7,600,029	\$ 7,954,546	\$ 8,295,292
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	267.35%	227.45%	259.81%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

Note: Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 319,164	\$ 281,733	\$ 340,965	\$ 354,349
Contributions in relation to the contractually required contribution	<u>(319,164)</u>	<u>(281,733)</u>	<u>(340,965)</u>	<u>(354,349)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,279,743	\$ 2,137,580	\$ 2,460,065	\$ 2,560,325
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 340,747	\$ 333,398	\$ 325,307	\$ 332,898	\$ 319,765	\$ 234,617
(340,747)	(333,398)	(325,307)	(332,898)	(319,765)	(234,617)
<u>\$ -</u>					
\$ 2,533,435	\$ 2,652,331	\$ 2,402,563	\$ 3,383,110	\$ 3,256,263	\$ 2,196,788
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,038,570	\$ 1,064,004	\$ 1,034,091	\$ 1,078,388
Contributions in relation to the contractually required contribution	<u>(1,038,570)</u>	<u>(1,064,004)</u>	<u>(1,034,091)</u>	<u>(1,078,388)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,418,357	\$ 7,600,029	\$ 7,954,546	\$ 8,295,292
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 965,485	\$ 1,075,900	\$ 1,181,519	\$ 1,166,326	\$ 1,181,210	\$ 1,102,668
<u>(965,485)</u>	<u>(1,075,900)</u>	<u>(1,181,519)</u>	<u>(1,166,326)</u>	<u>(1,181,210)</u>	<u>(1,102,668)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,426,808	\$ 8,276,154	\$ 9,088,608	\$ 8,971,738	\$ 9,086,231	\$ 8,482,062
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	006	\$113,936
National School Lunch Program	10.555	006	322,416
National School Lunch Program Food Commodities	10.555	006	62,261
Total National School Lunch Program			<u>384,677</u>
Total Child Nutrition Cluster			<u>498,613</u>
Total U.S. Department of Agriculture			<u>498,613</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	572-9616	20,866
Title I Grants to Local Educational Agencies	84.010	572-9811	700
Title I Grants to Local Educational Agencies	84.010	572-9815	151,740
Title I Grants to Local Educational Agencies	84.010	572-9816	422,475
Total Title I Grants to Local Educational Agencies			<u>595,781</u>
Special Education Cluster:			
Special Education - Grants to State (IDEA, Part B Grant)	84.027	516-9115	6,202
Special Education - Grants to State (IDEA, Part B Grant)	84.027	516-9116	332,536
Total Special Education - Grants to State (IDEA, Part B Grant)			<u>338,738</u>
Special Education - Preschool Grants (IDEA, Preschool)	84.173	587-9116	10,256
Total Special Education Cluster			<u>348,994</u>
Improving Teacher Quality - State Grants	84.367	590-9815	(27,235)
Improving Teacher Quality - State Grants	84.367	590-9816	56,006
Total Improving Teacher Quality - State Grants			<u>28,771</u>
Total U.S. Department of Education			<u>973,546</u>
Total Expenditures of Federal Awards			<u>\$1,472,159</u>

The accompanying notes are an integral part of this schedule.

**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED June 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Beaver Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 Government assumes it expends federal monies first.

NOTE D – 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, 2016, 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 24, 2017.

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 opinion 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 certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

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 24, 2017



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 THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect the Beaver Local School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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), Special Education – Preschool Grants (IDEA, Preschool), and Title I Grants to Local Educational Agencies

As described in finding 2016-002 in the accompanying schedule of findings, the District did not comply with requirements regarding suspension and debarment applicable to its Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and Title I Grants to Local Educational Agencies major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education - Grants to States (IDEA, Part B Grant), Special Education – Preschool Grants (IDEA, Preschool), and Title I Grants to Local Educational Agencies* 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), Special Education – Preschool Grants (IDEA, Preschool), and Title I Grants to Local Educational Agencies for the year ended June 30, 2016.

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 the Uniform Guidance, 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.

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 or corrected. *A significant deficiency in internal 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-002.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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

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 24, 2017

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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)?	No
(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 2 CFR §200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies CFDA #84.010; Special Education Cluster: Special Education – Grants to States (IDEA, Part B) CFDA #84.027 and Special Education – Preschool Grants (IDEA, Preschool) CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

1. Capital Assets

<i>Finding Number</i>	2016-001
-----------------------	----------

MATERIAL WEAKNESS

Ohio Admin. Code Section 117-2-02-(D)(4)(c) states that all local public offices should maintain or provide capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local public offices preparing financial statements using generally accepted accounting principles will want to maintain additional data.

The following items were not reported correctly on the District's financial statements:

- The District's capital asset listing overstated accumulated depreciation by \$1,839,404. The depreciation reported for several 2016 additions were calculated as if the assets were placed in operation in fiscal year 2015. The resulting accumulated depreciation was calculated for 1.5 years instead of 0.5 years. The financial statements were adjusted for this error.
- The District entered into a capital lease agreement during fiscal year 2016 for the lease of copier machines. This lease was not reported as a capital asset. Total payments according to the lease agreement total \$353,666 and the copiers will be owned by the District at the completion of the lease. The financial statements were not adjusted for this error.
- The June 30, 2016 capital asset listing reported two school buses with acquisition costs totaling \$166,000 which were purchased and placed in service in July 2016 (which is subsequent to fiscal year end 2016). The financial statements were not adjusted for this error.
- The purchase of IPADS and related service and professional development fees totaling \$250,000 were included as a cost in the Construction in Progress calculation. These costs were not directly associated with the new facility and are individually below capitalization threshold. The financial statements were adjusted for this error.

The District did not have procedures in place to identify the errors noted. Without an accurate and complete listing of capital assets, the District cannot properly calculate the book value, depreciation expense and accumulated depreciation of these assets for its financial statements.

The District should develop and implement policies and procedures for the recording and updating of capital assets throughout the year. These procedures should include tagging all capital assets meeting the capitalization threshold established by the Board. Further, addition and disposal forms should be completed and approved by management when assets are acquired and retired. This information should then be entered into a capital asset accounting system and include such information as the tag number, location of the asset, description of the item, cost, acquisition date, and any other pertinent information. Periodic physical inventories should be performed to compare capital assets listed on the accounting system to the items on hand. Any discrepancies should be investigated and resolved.

Official's Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

1. Federal Programs - Suspension and Debarment Procedures

Finding Number	2016-002		
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA #84.010, Special Education – Grants to States (IDEA, Part B) CFDA #84.027 and Special Education – Preschool Grants (IDEA, Preschool) CFDA# 84.173		
Federal Award Identification Number / Year	2016		
Federal Agency	U.S. Department of Education		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	Yes	Finding Number? (if repeat)	2015-004

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 2016, the District had procedures in place for this requirement. However, the procedures were not always followed. As a result, the District entered into transactions with vendors for the Title I and Title VI-B Programs 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 help ensure federal requirements over suspension and debarment are satisfied.

Official’s Response: See Corrective Action Plan

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Reporting-Equity	Finding has been corrected. The District made significant strides this year as well as implemented new procedures for review. The District continues to outsource this to a third party, Julian and Grube (J & G). The District worked closer with J & G to provide accurate information as well as thorough reviews at each step in the reporting process to further ensure GAAP reporting improved. The District will continue to work with J & G to ensure GAAP statements are reported with the utmost accuracy.	
2015-002	Receipt Posting	The District made this adjustment immediately upon being notified. The district has further assigned a Title I coordinator as well as an IDEA B coordinator to ensure federal funds are appropriately spent and receipted. The District Treasurer also attended federal grants training to further ensure funds are managed to the expectations of the federal government.	
2015-003	Questioned Cost of federal award	No Longer Warranting Further Action. The department of federal programs reviewed this item and deemed that it no longer warranted further action. There was no adjustment required. The District went through a complete federal programs audit with no issues warranting corrective action and has also implemented the aforementioned controls above to ensure we do not have further questioned costs.	
2015-004	Suspension and Debarment Procedures	Partially Corrected. The District implemented procedures for this process and is continuing to work to make sure every purchase meets these requirements. It should be noted, the District has had high administrative turnover and the new administration has made federal programs a priority.	The District implemented procedures for this process and is continuing to work to make sure every purchase meets these requirements. It should be noted, the District has had high administrative turnover and the new administration has made federal programs a priority.

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**BEAVER LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District developed and implemented capital asset procedures after FY16 and has made the appropriate corrections cited by the auditors. All new items purchased in FY17 were added to the capital asset listing and reported timely.	6/30/2017	Stacy Williams, Treasurer
2016-002	The District implemented procedures in FY16 and is working hard to ensure every purchase meets these requirements. All purchases must be checked against the suspension and debarment list before a purchase order is generated. The District has a small fiscal staff and is continually working very hard to ensure all federal procedures are adhered to. It should be noted no purchases were made to a vendor that was suspended or debarred.	6/30/2017	Stacy Williams, Treasurer

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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
AUGUST 31, 2017