BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

BASIC FINANCIAL STATEMENTS

(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

SANDY HADSELL, TREASURER

Dave Yost · Auditor of State

Board of Directors
Beacon Hill Community School
PO Box 285
Mt. Eaton, OH 44659

We have reviewed the *Independent Auditor's Report* of the Beacon Hill Community School, Wayne County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

March 30, 2018

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BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Beacon Hill Community School
Wayne County
161 South Main Street
Creston, Ohio 44217

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Beacon Hill Community School, Wayne County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Beacon Hill Community School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Beacon Hill Community School, Wayne County as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the Beacon Hill Community School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Beacon Hill Community School's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 7, 2017

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management's discussion and analysis of the Beacon Hill Community School's ("School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position was a balance of $68,862 at June 30, 2017.

- The School had operating revenues of $504,764, operating expenses of $644,281 and nonoperating revenues of $112,094 for fiscal year 2017. The total change in net position for the fiscal year was decrease of $27,423.

Using the Basic Financial Statements

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

Reporting the School's Financial Activities

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did the School do financially during fiscal year 2017?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 12-25 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's net pension liability. The required supplementary information can be found on pages 26 - 28 of this report.

The table below provides a summary of the School's net position at June 30, 2017 and June 30, 2016.

Net Position

	2017	2016
Assets		
Current assets	$ 148,692	$ 130,487
Capital assets, net	3,075	4,305
Total assets	151,767	134,792
Deferred outflows of resources	-	311
Liabilities		
Current liabilities	75,987	26,853
Non-current liabilities	-	1,193
Total liabilities	75,987	28,046
Deferred inflows of resources	6,918	10,772
Net Position		
Investment in capital assets	3,075	4,305
Restricted	63,225	61,288
Unrestricted	2,562	30,692
Total net position	$ 68,862	$ 96,285

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

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. At June 30, 2017, the School did not have an outstanding net pension liability payable and $6,918 was reported in deferred inflows of resources.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School's net position was a balance of $68,862.

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

At year-end, capital assets represented 2.03 percent of total assets. Capital assets include copier equipment. Net investment in capital assets at June 30, 2017, was $3,075. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the School's net position, $63,225, represents resources that are subject to external restriction on how they may be used. Unrestricted net position was $2,562 at fiscal year-end.

The table below shows the changes in net position for fiscal years 2017 and 2016.

Change in Net Position

	2017	2016
Operating Revenues:		
State foundation	$ 466,432	$ 518,368
Charges for services	38,332	55,521
Total operating revenues	504,764	573,889
Operating Expenses:		
Purchased services	573,596	535,635
Materials and supplies	32,515	42,553
Depreciation	1,230	1,230
Other	36,940	18,139
Total operating expenses	644,281	597,557
Nonoperating Revenues:		
Grants and subsidies	98,548	106,450
Interest revenue	107	94
Donations and contributions	13,439	11,374
Total nonoperating revenues	112,094	117,918
Change in net position	(27,423)	94,250
Net position at beginning of year	96,285	2,035
Net position at end of year	$ 68,862	$ 96,285

Fiscal year 2017 was the sixth year of operations for the School. The School is reliant upon State foundation revenue to support operations. The School also receives federal grant revenue which is reported as non-operating revenue.

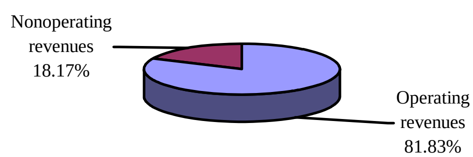
Purchased services are the largest expense to the School. Purchased services expenses primarily include payments made to Southeast Local School District and Tri-County Educational Service Center for various services as outlined in Note 14 to the basic financial statements.

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

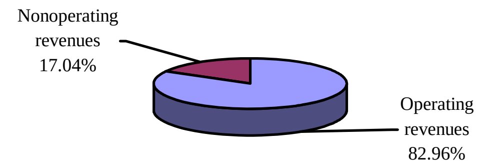
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The charts below illustrate the revenues and expenses for the School during fiscal years 2017 and 2016.

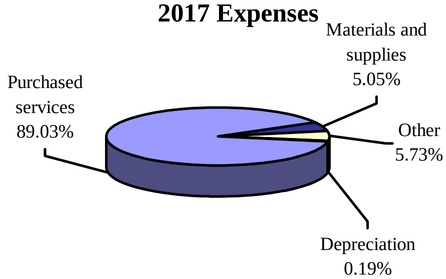
2017 Revenues



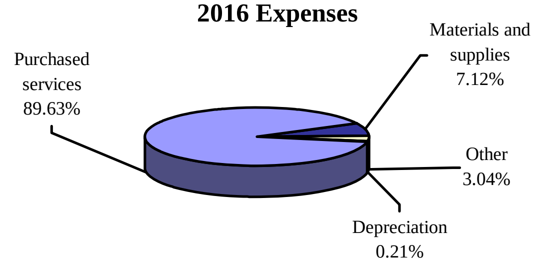
2016 Revenues



2017 Expenses



2016 Expenses



Capital Assets

At the end of fiscal year 2017, the School had $3,075 in capital assets, net of depreciation, consisting of equipment.

The following table shows fiscal year 2017 capital asset balances. The School had no capital asset additions during fiscal year 2017.

Capital Assets at June 30
(Net of Depreciation)

	2017
Equipment	$ 6,150
Accumulated depreciation	(3,075)
Total	$ 3,075

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

Current Financial Related Activities

The School is reliant upon State foundation monies and State and federal grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Sandy Hadsell, Treasurer, Beacon Hill Community School, 161 S. Main St. Creston, OH 44217.

BASIC
FINANCIAL STATEMENTS

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

Assets:		
Current assets:		
Cash and cash equivalents	$	135,148
Receivables:		
Intergovernmental		8,302
Prepayments		5,242
Total current assets		148,692
Non-current assets:		
Depreciable capital assets, net		3,075
Total assets		151,767
Liabilities:		
Current liabilities:		
Accounts payable		14,613
Intergovernmental payable		61,374
Total liabilities		75,987
Deferred inflows of resources:		
Pension - SERS		6,918
Total deferred inflows of resources		6,918
Net position:		
Investment in capital assets		3,075
Restricted for:		
Federal programs		10,444
Other purposes		52,781
Unrestricted		2,562
Total net position	$	68,862

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating revenues:	
State foundation revenue	$ 466,432
Sales	38,332
Total operating revenues	504,764
Operating expenses:	
Purchased services	573,596
Materials and supplies	32,515
Other	36,940
Depreciation	1,230
Total operating expenses	644,281
Operating loss	(139,517)
Non-operating revenues:	
Grants and subsidies	98,548
Interest revenue	107
Contributions and donations	13,439
Total nonoperating revenues	112,094
Change in net position	(27,423)
Net position at beginning of year	96,285
Net position at end of year	$ 68,862

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:		
Cash received from State foundation	$	467,133
Cash received from sales.		38,332
Cash payments for contractual services		(536,347)
Cash payments for materials and supplies		(20,723)
Cash payments for other expenses		(46,883)
Net cash used in operating activities		(98,488)
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies.		102,303
Cash received from contributions and donations		13,439
Net cash provided by noncapital financing activities.		115,742
Cash flows from investing activities:		
Interest received		107
Net cash provided by investing activities		107
Net increase in cash and cash equivalents		17,361
Cash and cash equivalents at beginning of year		117,787
Cash and cash equivalents at end of year	$	135,148
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(139,517)
Adjustments:		
Depreciation		1,230
Changes in assets and liabilities:		
Decrease in intergovernmental receivable		643
(Increase) in prepayments		(5,242)
Decrease in deferred outflows - pensions		311
Increase in accounts payable		8,616
Increase in intergovernmental payable		40,518
(Decrease) in net pension liability.		(1,193)
(Decrease) in deferred inflows - pensions.		(3,854)
Net cash used in operating activities	$	(98,488)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Beacon Hill Community School, Wayne County, Ohio (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status. The School's objective is to specifically address the needs of students who have met some academic requirements but have failed to successfully complete all those requirements necessary for the attainment of the high school diploma, or for those wishing to pursue a career or post-secondary study. The ultimate focus of the School's curriculum is to assist its students to earn credits for promotion through grades 7-8 and ultimately in earning a high school diploma while preparing them for higher education and employment opportunities. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was approved for operation under a contract with the Tri-County Educational Service Center (the "Sponsor") for a period of three years commencing July 1, 2014 through June 30, 2017. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Southeast Local School District and the Tri-County Educational Service Center provide teaching and administrative staff to the School on a contract basis. Tri-County Educational Service Center and Beacon Hill have renewed the sponsorship agreement for one year extending the agreement to June 30, 2018.

The School has entered into purchased service agreements with the Southeast Local School District, Tri-County Educational Service Center and Midland Council of Governments to provide various purchased services to the School. Terms of the purchased service agreements are further described in Note 14.

The School operates under the direction of a self-appointed five to seven member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School's one instructional/support facility which provides services to 65 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School's significant accounting policies are described below.

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

A. Basis of Presentation

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

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

B. Measurement Focus and Basis of Accounting

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

C. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources have been reported for the following two items related the School's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the School's contributions to the pension systems subsequent to the measurement date. The School had no deferred outflows at June 30, 2017.

In addition to liabilities and change in proportionate share, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments and changes in proportionate share related to the School's net pension liability.

D. Budgetary Process

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

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

E. Cash and cash equivalents

All monies received by the School are deposited into a demand deposit account, savings account and a non-negotiable certificate of deposit (CD). Non-negotiable CDs are reported at cost.

F. Net Position

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

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

G. Intergovernmental Revenue

The School currently participates in the State Foundation Program, the IDEA Part B grant, the Title I grant, and the Title IIA grant. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2017 school year, excluding all other federal and State grants, totaled $466,432.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. State and federal grants revenue for the fiscal year 2017 received was $98,548.

In addition, the School received $13,439 in local contributions and donations during fiscal year 2017.

H. Estimates

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

I. Capital Assets and Depreciation

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

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

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

J. Prepayments

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

K. Pensions

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the School has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At June 30, 2017, the carrying amount of all School deposits, including $30,113 in non-negotiable CDs, was $135,148. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, the entire bank balance of $145,972 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Intergovernmental receivables at June 30, 2017 consisted of $8,302 in grants related to the IDEA Part-B, the Title I Disadvantaged Children, and Improving Teacher Quality programs. The receivables are expected to be collected in the subsequent year.

NOTE 6 - PURCHASED SERVICES

For fiscal year 2017, purchased services expenses were as follows:

Professional services	$ 476,507
Property rental and services	78,483
Travel, mileage and meetings	3,754
Communications	14,662
Contracted food services	190
Total purchased services	$ 573,596

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Equipment	$ 6,150	$ -	$ -	$ 6,150
Less: accumulated depreciation	(1,845)	(1,230)	-	(3,075)
Capital assets, net	$ 4,305	$ (1,230)	$ -	$ 3,075

NOTE 8 - RISK MANAGEMENT

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

Settled claims did not exceed this commercial coverage in any of the past three years, and there have been no significant reductions in coverage through June 30, 2017.

NOTE 9 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2017.

B. Ohio Department of Education Enrollment Review

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School’s contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

C. Litigation

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

NOTE 10 - OPERATING LEASE

The School has entered into an operating lease with Lighthouse of Hope for rent of the School's instructional facility located at 10470 Winesburg Road, Dundee, Ohio. The lease calls for an annual rental payment of $65,000 for the period August 1, 2016 through May 31, 2017, and $65,000 for the period of August 1, 2017 through May 31, 2018.

NOTE 11 - LONG-TERM OBLIGATIONS

The School's long-term obligations during the year consist of the following:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due in One Year
Net pension liability:	$ 1,193	$ -	$ (1,193)	$ -	$ -

Net Pension Liability: See Note 12 for information on the School's net pension liability.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2017, 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 School's contractually required contribution to SERS was $0 for fiscal year 2017.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS
Proportion of the net pension liability prior measurement date	0.00002090%
Proportion of the net pension liability current measurement date	0.00000000%
Change in proportionate share	-0.00002090%
Pension expense	$ (4,736)

At June 30, 2017, the School reported deferred inflows of resources related to pensions from the following sources:

	SERS
Deferred inflows of resources	
Difference between District contributions and proportionate share of contributions/ change in proportionate share	$ 6,918
Total deferred inflows of resources	$ 6,918

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

Fiscal Year Ending June 30:	SERS
2018	$ (3,173)
2019	(3,173)
2020	(572)
Total	$ (6,918)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate **-** The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 School'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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

NOTE 13 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School 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.

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 2017, 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 2017, this amount was $23,500. 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.

The School's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $37, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

NOTE 14 - PURCHASED SERVICE AGREEMENTS

A. Southeast Local School District

The School entered into a one-year contract on March 10, 2016 with Southeast Local School District (the "District") for general administrative, fiscal and instructional staff services for August 1, 2016 through July 31, 2017. Under this contract, the following terms were agreed upon:

1. The Superintendent of the District shall assign personnel and/or issue contracts as necessary to perform contracted services for the School.

2. The School shall pay the District for instructional staff services as required by the School. The School will be invoiced for the applicable instructional staff time used by the School.

NOTE 14 - PURCHASED SERVICE AGREEMENTS - (Continued)

3. The purchased services agreement may be terminated by the School or by the District, effective after the next succeeding 30th day of June, by either party giving the other party written notice thereof on or before the last day of April. The date of such notification may be extended at any time by mutual agreement of the School and the District.

For fiscal year 2017, $2,349 was paid to the District for general administrative, fiscal and instructional staff services under the agreement. An additional $2,000 was due to the School as of June 30, 2017. To obtain the District's audited June 30, 2017 financial statements; please contact Mr. Mark Dickerhoof, Treasurer, 9048 Dover Rd., Apple Creek, Ohio 44606.

B. Tri-County Educational Service Center

The School entered into a one-year contract on April 14, 2016 with Tri-County Educational Service Center (the "ESC") for sponsorship oversight and monitoring services and instructional staff services. Under this contract, the following terms were agreed upon:

1. The ESC will perform sponsorship oversight and monitoring services to the School for the fiscal year for a fee equal to 3% of the School's State of Ohio Foundation Settlement distribution.

2. The School shall pay the ESC for instructional staff services as required by the School. The School will be invoiced for the applicable instructional staff time used by the School.

3. The purchased services agreement for fiscal year 2017 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to April 15, 2017 of any change in the services to be purchased for the term commencing July 1, 2017 through June 30, 2018.

For fiscal year 2017, $357,599 was paid to the ESC for sponsorship oversight and monitoring services and instructional staff services under the agreement. Remaining encumbrance on June 30, 2017 for fiscal year 2017 services is $53,508 payable in fiscal year 2018. To obtain the ESC's audited June 30, 2017 financial statements; please contact Ms. Mary Workman, Treasurer, 741 Winkler Rd, Wooster, Ohio 44691.

C. Midland Council of Governments

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

1. The COG will provide internet access services including, but not limited to, bandwidth, equipment, e-mail services, and web page hosting to the School for fiscal year 2017. Title to all internet equipment remains with the COG.

For fiscal year 2017, $15,376 was paid to the COG for internet access services under the agreement.

NOTE 15 - FISCAL MANAGEMENT PLAN

The governing board and administration of the School have developed the following fiscal management plan beginning fiscal year 2017:

1. Following the sixth full year of operations, cash balances, and cash flow have shown tremendous improvement.

    a. Enrollment continues to be a top priority and drives funding. Continual efforts are made to offer unique and quality services to meet the expectations of the surrounding community. Transportation requests have been made to local school districts to ensure that students from the surrounding areas have the ability to attend.

    b. Professional development continues to be a focus to maintain the School Wide Pool Program. Highly Qualified Teachers are in place for all courses. Improving Test preparation for students is a focus area for the coming year.

    c. In July of 2016, the Governing Board and Administration set a goal to raise the general fund cash balance to $100,000 by June 30, 2017, and all funds balance to $125,000 by June 30, 2017, in order to improve end of year cash balances and build a cash reserve. With the full implementation of School Wide Pool Funding, local funds, and federal grants are combined to improve the educational opportunities for students and financial stability of the school. On June 30, 2016, the general fund cash balance was $57,925. The all funds cash balance was $117,787. On June 30, 2017 the general fund balance was $87,799 and the all funds balance was $135,148 so cash reserves have improved.

2. Due to the nature of GAAP reporting, the Governing Board understands that outstanding liabilities for professional staff services at year end will be a significant factor affecting year end reports. Improving the year end cash assets will help to offset those outstanding liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
School's proportion of the net pension liability	0.00000000%	0.00002090%	0.00025800%	0.00025800%
School's proportionate share of the net pension liability	$ -	$ 1,193	$ 13,057	$ 15,342
School's covered-employee payroll	$ 1,543	$ 4,461	$ 7,504	N/A
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	26.74%	174.00%	N/A
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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

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

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ -	$ 216	$ 588	$ 1,040
Contributions in relation to the contractually required contribution	-	(216)	(588)	(1,040)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ -	$ 1,543	$ 4,461	$ 7,504
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

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

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

Beacon Hill Community School
Wayne County
161 South Main Street
Creston, Ohio 44217

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Beacon Hill Community School, Wayne County, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Beacon Hill Community School's basic financial statements and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Beacon Hill Community School

Compliance and Other Matters

As part of reasonably assuring whether the Beacon Hill Community School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 7, 2017

Dave Yost • Auditor of State

BEACON HILL COMMUNITY SCHOOL

SUMMIT 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
APRIL 12, 2018

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