



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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April 10, 2019

Ms. Stacy Williams, Treasurer  
Beaver Local School District  
46088 Bell School Road  
East Liverpool, Ohio 43920

Dear Ms. Williams:

We greatly appreciate the opportunity to submit our proposal to assist the Beaver Local School District (the "District") in preparing the District's basic financial statements (BFS) in compliance with accounting principles generally accepted in the United States of America (GAAP) for the fiscal year ended June 30, 2019, including the related notes to the financial statements, and to perform a compilation engagement with respect to those financial statements. We are pleased to confirm our understanding of this engagement by means of this proposal.

Julian & Grube, Inc. (J&G) takes pride in its commitment to providing quality accounting and advisory services to the public sector. Your request represents a significant opportunity for us as well as a cost-effective means for the District to achieve excellence in financial reporting. We have enclosed for your information a complete list of our public-sector clients; please feel free to contact any of them.

The following proposal explains the GAAP reporting rules issued by the Auditor of State. We then set forth the approach and scope of our assistance based on our understanding of your needs, and finally, the fee schedule.

### **Rules for Reporting on a GAAP-Basis**

The Auditor of State has issued various Administrative Rules requiring Ohio governmental entities to prepare their "Annual Financial Report" (AFR) in accordance with GAAP. GAAP-basis reporting provides users of the financial statements with a comprehensive view of the District's overall financial position as well as the results of operations. GAAP-basis reporting also provides significant details as to the District's accounting policies and activities.

In order to comply with the Auditor of State's requirement to issue a GAAP-basis AFR, the District has two options. The first option is to issue basic financial statements (BFS) which consist of a management discussion and analysis (MD&A), both government-wide and fund financial statements, appropriate note disclosures, and any required supplementary information. The second option is to prepare a Comprehensive Annual Financial Report (CAFR). The CAFR, prepared under the guidelines of the GFOA's Certificate of Achievement for Excellence in Financial Reporting program, would include the BFS mentioned above as well as an introductory section, combining statements and schedules and a statistical section. This proposal was prepared under the assumption that the District plans to issue BFS for the fiscal year ended June 30, 2019, which is consistent with 2018.

The District should experience various benefits from preparing GAAP-basis BFS in addition to complying with the requirements set forth by the Auditor of State.

These benefits include:

- a. The District's elected officials and managers will benefit from the improved quality of the financial information available.
- b. Improved financial information will be available to the public.
- c. The District will be perceived to be more accountable for its actions by the public.
- d. The project will require the implementation of procedures to account for annual additions, deletions and the depreciation of capital assets. The District will also track and depreciate infrastructure assets.
- e. Should the District enter the capital funds market in the future, it could benefit from improved bond and note ratings as a result of improved accountability and quality of financial information. It should be noted that when issuing bonded debt GAAP-basis financial information is often requested and necessary.
- f. Since the District is preparing a GAAP-basis BFS for 2019, a more accurate analysis of results of operations from year to year will be possible.

### **Project Approach**

Although the preparation of the GAAP-basis BFS is the responsibility of the District Treasurer, the project will require the cooperation of almost all District departments. Cooperation is essential to the success of the GAAP-conversion. The key to bringing about cooperation is proper planning and coordination of all aspects of the project.

We consider meetings of those District personnel involved with various aspects of the project, shared information, and on-going status updates of project completion to be the most important aspects in a successful conversion. In addition to being valuable planning tools for the project, the above will help identify any additional resources or information that may be needed. Our suggested approach to preparing your GAAP-basis financial statements can be summarized in three basic phases:

I. Basic Information Gathering and Preliminary Planning

Obtain and read the District's current accounting and financial reporting procedures for compliance with GAAP for governments. Define the procedures and resources necessary to convert the District's financial report from its cash-basis format to compliance with GAAP.

II. Specific Task Planning

Using the information obtained during the previous phase, we will identify specific tasks necessary for the completion of the BFS. The District should delineate responsibility for completing all tasks and specify a timetable for completion of the tasks.

III. BFS Preparation

The year-end cash-basis financial statements (reports) will be converted to GAAP-basis through analysis of (1) financial transactions necessary to prepare accrual entries (2) the effect of reversing prior year accrual entries, and (3) other information pertinent to the BFS (debt transactions, capital asset activity, investment activity, etc.).

At the completion of this phase, an unaudited BFS with appropriate note disclosures will have been prepared. Additionally, various workpapers and schedules will have been prepared to assist the Independent Public Accountant (IPA) to review and audit the adjustments.

**Project Scope**

J&G would assist the District in the preparation of its BFS. Our role would be primarily to:

- a. Perform a review of the District's current accounting and financial reporting procedures and determine changes necessary to comply with GAAP.
- b. Delineate responsibility for completing tasks and develop a timetable for completion of the project after meeting with the District management and other personnel.
- c. Provide technical assistance, consultation and review during the project.

- d. Prepare and post all current year adjusting accrual entries to the cash-basis financial statement and reverse the prior year's accrual entries.
- e. Prepare all footnote disclosures and assist with the preparation of the MD&A and other required supplementary information.
- f. Submit to your auditors a complete, ready-for-audit BFS, and file the BFS with the Auditor of State on or before November 27, 2019.
- g. Act as the District's liaison with its auditors on matters related to the compilation of the GAAP-basis BFS. We will assist the auditors by answering various inquiries and explaining our procedures and workpapers. Should the auditors request additional assistance or work to be performed by J&G beyond the scope of our engagement, we would only perform such tasks with the approval of the District Treasurer.

### **J&G Employees**

The employees of J&G are not "public employees" for the purpose of the State Teachers Retirement System of Ohio (STRS) or the School Employees Retirement System of Ohio (SERS).

### **Timing**

In accordance with Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (B), the District is required to file its GAAP basis annual financial report by November 27, 2019. Failure to do so may result in a maximum penalty of \$750 assessed by the Auditor of State. In order to meet this required deadline, J&G *must* receive all requested source data from the District by October 10, 2019 to ensure completion by November 27, 2019. We will complete the compilation of your fiscal year 2019 BFS and, after the District's approval, we will file it with the Auditor of State on or before November 27, 2019.

### **Our Responsibilities**

The objective of our engagement is to:

- a. Prepare financial statements in accordance with GAAP based on information provided by you, and
- b. Apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with GAAP.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care when preparing the financial statements and performing the compilation engagement.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

We, in our sole professional judgment, reserve the right to refuse and perform any procedure or take any action that could be construed as assuming management responsibilities.

### **The District's Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with GAAP and assist you in the presentation of the financial statements in accordance with GAAP. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSS:

- a. The selection of GAAP as the financial reporting framework to be applied in the preparation of financial statements.
- b. The preparation and fair presentation of financial statements in accordance with GAAP and the inclusion of all informative disclosures that are appropriate for GAAP.
- c. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
- d. The prevention and detection of fraud.
- e. To ensure that the entity complies with the laws and regulations applicable to its activities.

- f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- g. To provide us with:
  - Access to all information of which you are aware is relevant to the preparation and presentation of the financial statements, such as records, documentation, and other matters.
  - Additional information that we may request from you for the purpose of the compilation engagement.
  - Unrestricted access to persons at the District of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

### **Our Report**

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. There may be circumstances in which the report differs from the expected form and content. If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

The supplementary information accompanying the compiled financial statements will be presented for purposes of additional analysis. Such supplementary information will be compiled from information that is the responsibility of management. We will not express an opinion, a conclusion, nor provide any assurance on such supplementary information.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to inclusion of the report, to ask our permission to do so.

**Professional Fees**

You may choose between a one-year or multi-year contract. In either case, this is a fixed fee (i.e., you **will not** be billed additional amounts for any out-of-pocket expenses we may incur). You will be billed one-third of the appropriate amount below on August 1, October 1, and upon report completion each year.

- 1. FY19 BFS .....\$5,700
- 2. Two-year engagement .....\$5,500
- 3. Three-year engagement .....\$5,300

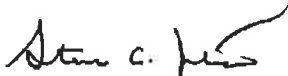
We at J&G are dedicated to quality service and client satisfaction. If, during the course of a multi-year contract, the District is dissatisfied with our services, and it is a situation that cannot be rectified, the District may cancel the remaining portion of the contract. Both J&G and the District reserve the right to cancel the remaining portion of any contract period with a 90 day written notice to the other party.

We greatly appreciate the opportunity to be of assistance to the District. We believe there are many benefits to converting to GAAP-basis financial reporting. The District will not only be in compliance with the requirements set forth by the Auditor of State, but the public should perceive better accountability of the District's financial resources.

The terms as stated in this proposal will remain open until June 30, 2019. If the proposed terms are acceptable, please sign and return the one copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a compilation engagement with respect to those same financial statements, and our respective responsibilities.

Should you have any questions please contact me at (614) 846-1899. Thank you again!

Very truly yours,



Steven C. Julian, CPA  
Julian & Grube, Inc.

Ms. Stacy Williams, Treasurer  
Beaver Local School District  
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We accept your proposal to assist the Beaver Local School District in preparing the basic financial statements and to performing a compilation engagement with respect to those same financial statements for the fiscal year ended June 30, 2019. We have chosen fee option 3 (1, 2, or 3). Acknowledged and agreed on behalf of the District by:

\_\_\_\_\_  
Treasurer / Date

\_\_\_\_\_  
Superintendent or Purchasing Agent / Date