



Dave Yost • Auditor of State



**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Beacon Hill Community School  
Wayne County  
9048 Dover Road  
Apple Creek, Ohio 44606

To the Board of Directors:

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

We have audited the accompanying financial statements of Beacon Hill Community School, Wayne County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no 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 financial position of Beacon Hill Community School, Wayne County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 January 9, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 9, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The management's discussion and analysis of the Beacon Hill Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- In total, net position was a deficit balance of \$64,526 at June 30, 2013.
- The School had operating revenues of \$459,699, operating expenses of \$535,982 and non-operating revenues of \$57,734 for fiscal year 2013. Total change in net position for the fiscal year was a decrease of \$18,549.

**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 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 the 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 we do financially during fiscal year 2013?" These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 period's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in that 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 7 and 8 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 9 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-17 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The table below provides a summary of the School's net position for fiscal years 2013 and 2012.

	<b>Net Position</b>	
	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Current assets	\$ 8,903	\$ 17,647
Total assets	<u>8,903</u>	<u>17,647</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>73,429</u>	<u>63,624</u>
Total liabilities	<u>73,429</u>	<u>63,624</u>
<b><u>Net Position</u></b>		
Restricted	6,817	12,144
Unrestricted (deficit)	<u>(71,343)</u>	<u>(58,121)</u>
Total net position (deficit)	<u>\$ (64,526)</u>	<u>\$ (45,977)</u>

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2013, the School's net position totaled a deficit of \$64,526.

Current assets include the School's demand deposit account and receivables related to federal grants. Current liabilities include both accounts payable 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.

A portion of the School's net position, \$6,817, represents resources that are subject to external restriction on how they may be used. Unrestricted net assets may be used to meet the School's ongoing obligations to students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2013 and 2012.

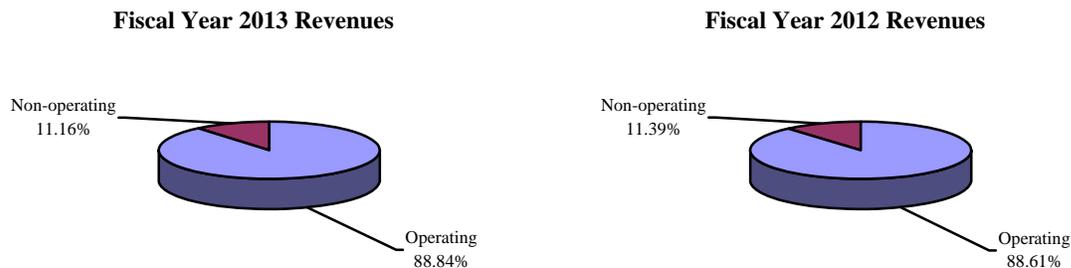
**Change in Net Position**

	<u>2013</u>	<u>2012</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 424,766	\$ 307,912
Sales/charges for services	34,933	16,952
Total operating revenue	<u>459,699</u>	<u>324,864</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	488,809	382,818
Materials and supplies	36,554	29,637
Other	10,619	150
Total operating expenses	<u>535,982</u>	<u>412,605</u>
<b><u>Non-operating Revenues:</u></b>		
Grants and subsidies	51,755	35,624
Interest revenue	6	-
Donations and contributions	5,973	6,140
Total non-operating revenues	<u>57,734</u>	<u>41,764</u>
Change in net position	(18,549)	(45,977)
Net position (deficit) at beginning of year	<u>(45,977)</u>	-
Net position (deficit) at end of year	<u>\$ (64,526)</u>	<u>\$ (45,977)</u>

Fiscal year 2013 was the second year of operations for the School. The School had 68 students during this time frame. 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 10 to the basic financial statements.

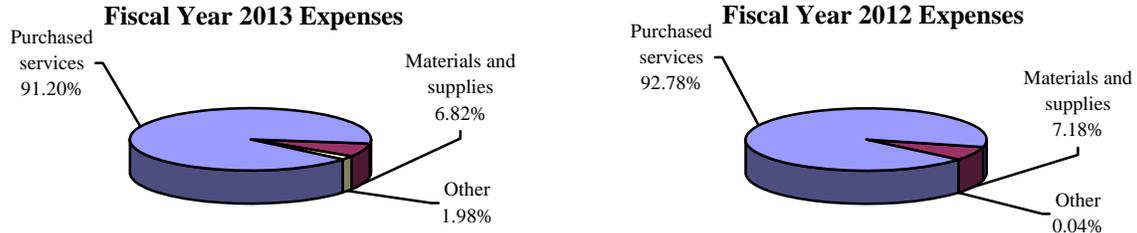
The chart below illustrates the revenues for the School for fiscal years 2013 and 2012.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The chart below illustrates the expenses for the School for fiscal years 2013 and 2012.



**Capital Assets**

The School maintains a capitalization threshold of \$5,000. The School had no capital assets at June 30, 2013.

**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, 9048 Dover Rd., Apple Creek, Ohio 44606.

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

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Assets:**

Current assets:

Cash and cash equivalents . . . . . \$ 8,705

Receivables:

Intergovernmental. . . . . 198

Total assets. . . . . 8,903

**Liabilities:**

Current liabilities:

Accounts payable . . . . . 1,100

Intergovernmental payable . . . . . 72,329

Total liabilities . . . . . 73,429

**Net position:**

Restricted for other purposes . . . . . 6,817

Unrestricted (deficit) . . . . . (71,343)

Total net position (deficit) . . . . . \$ (64,526)

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, 2013**

<b>Operating revenues:</b>	
Foundation revenue. . . . .	\$ 424,766
Sales/charges for services. . . . .	34,933
Total operating revenues . . . . .	<u>459,699</u>
 <b>Operating expenses:</b>	
Purchased services . . . . .	488,809
Materials and supplies . . . . .	36,554
Other . . . . .	10,619
Total operating expenses. . . . .	<u>535,982</u>
 Operating loss. . . . .	 <u>(76,283)</u>
 <b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	51,755
Interest revenue . . . . .	6
Contributions and donations . . . . .	5,973
Total nonoperating revenues . . . . .	<u>57,734</u>
 Change in net position. . . . .	 (18,549)
 <b>Net position (deficit) at beginning of year .</b>	 <u>(45,977)</u>
 <b>Net position (deficit) at end of year . . . . .</b>	 <u>\$ (64,526)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Cash flows from operating activities:**

Cash received from State foundation . . . . .	\$	424,766
Cash received from sales/charges for services. . . . .		34,933
Cash payments for purchased services . . . . .		(482,240)
Cash payments for materials and supplies . . . . .		(34,418)
Cash payments for other expenses . . . . .		(9,519)
		(66,478)
Net cash (used in) operating activities . . . . .		(66,478)

**Cash flows from noncapital financing activities:**

Cash received from grants and subsidies . . . . .		51,835
Cash received from contributions and donations. . . . .		5,973
		57,808
Net cash provided by noncapital financing activities . . . . .		57,808

**Cash flows from investing activities:**

Interest received . . . . .		6
		6
Net cash provided by investing activities . . . . .		6

Net (decrease) in cash and cash equivalents. . . . . (8,664)

**Cash and cash equivalents at beginning of year . . . . . 17,369**  
**Cash and cash equivalents at end of year. . . . . \$ 8,705**

**Reconciliation of operating loss to net cash (used in) operating activities:**

Operating income loss . . . . .	\$	(76,283)
Changes in assets and liabilities:		
Increase in accounts payable. . . . .		880
Increase in intergovernmental payable . . . . .		8,925
		(66,478)
Net cash (used in) operating activities . . . . .	\$	(66,478)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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, 2011 through June 30, 2014. 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.

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 10.

The School operates under the direction of a self-appointed five-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 68 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**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, and all liabilities and deferred inflows 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. 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.

**D. Cash**

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

**E. Net Position**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**F. Intergovernmental Revenue**

The School currently participates in the State Foundation Program, the IDEA Part B grant, the Title I grant, Title IID 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 2013 school year, excluding all other federal and State grants, totaled \$424,766.

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 2013 received was \$51,755.

In addition, the School received \$5,973 in local contributions and donations during fiscal year 2013.

**G. 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.

**H. 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. The School had no capital assets at June 30, 2013.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

At June 30, 2013, the carrying amount of all School deposits was \$8,705. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the entire bank balance of \$8,705 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 5 - RECEIVABLES**

Intergovernmental receivables at June 30, 2013 consisted of \$198 due related to the Title I disadvantaged children grant. This receivable is expected to be collected in the subsequent year.

**NOTE 6 - PURCHASED SERVICES**

For fiscal year 2013, purchased services expenses were as follows:

Professional services	\$ 403,701
Property rental and services	79,091
Travel, mileage and meetings	2,202
Communications	3,609
Contracted food services	<u>206</u>
Total purchased services	<u>\$ 488,809</u>

**NOTE 7 - 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. For fiscal year 2013, the School contracted with Ohio School Plan for property and general liability insurance with a \$3,000,000 aggregate limit.

Settled claims did not exceed this commercial coverage through June 30, 2013.

**NOTE 8 - 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, 2013.

**B. State Foundation Funding**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. During preliminary reviews of this enrollment data it was estimated by the State that the Academy had been overfunded by the Ohio Department of Education. However, the final results of this review have yet to be completed. Therefore, at June 30, 2013, no liability has been included in the School's basic financial statements.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 9 - 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, 2012 through May 31, 2013 and \$65,000 for the period of August 1, 2013 through May 31, 2014.

**NOTE 10 - PURCHASED SERVICE AGREEMENTS**

**A. Southeast Local School District**

The School entered into a one-year contract on August 1, 2012 with Southeast Local School District (the "District") for general administrative, fiscal and instructional staff services for August 1, 2012 through July 31, 2013. 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 Treasurer of the District shall provide fiscal services and Board office support (EMIS) as necessary to perform contracted services for the School. The fee for these services is \$10,798 per year with \$5,000 of that paid directly to the Treasurer.
3. 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.
4. The School shall pay in full for any materials and equipment lent or otherwise provided to them by the District within a period of three years from August 15, 2011 or the School agrees to return said materials and equipment in the condition it was received, reasonable wear and tear excepted.
5. The purchased services agreement may be terminated by the School or by the District, effective after the next succeeding 30<sup>th</sup> day of June, by either party giving the other party written notice thereof on or before the last day of February. The date of such notification may be extended at any time by mutual agreement of the School and the District.

For fiscal year 2013, \$239,174 was paid to the District for general administrative, fiscal and instructional staff services under the agreement. To obtain the District's audited June 30, 2013 financial statements; please contact Mr. Sandy Hadsell, Treasurer, 9048 Dover Rd., Apple Creek, Ohio 44606.

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

The School entered into a one-year contract on September 19, 2012 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 10 - PURCHASED SERVICE AGREEMENTS - (Continued)**

**B. Tri-County Educational Service Center (continued)**

3. The purchased services agreement for fiscal year 2013 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to March 15, 2013 of any change in the services to be purchased for the term commencing July 1, 2013 through June 30, 2014.

For fiscal year 2013, \$150,504 was paid to the ESC for sponsorship oversight and monitoring services and instructional staff services under the agreement. To obtain the ESC's audited June 30, 2013 financial statements; please contact Mr. David Denbow, 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 2013. Title to all internet equipment remains with the COG.

For fiscal year 2013, \$12,742 was paid to the COG for internet access services under the agreement.

**NOTE 11 – FISCAL MANAGEMENT PLAN**

The governing board and administration of Beacon Hill Community School have developed the following fiscal management plan beginning in fiscal year 2014:

1. Following the second full year of operations, low cash balances, and cash flow continue to be a concern for the governing board, and administrative team. The following steps will be taken to increase cash balances, and improve cash flow:
  - a. Enrollment continues to be a top priority. Continued efforts will be made to increase enrollment without increasing staff numbers.
  - b. Professional Development will be focused on completing the steps necessary to complete the Ohio Improvement Process. This will allow the school to move into the Schoolwide Pool Program, which allows for better utilization of Federal and Local Funds.
  - c. The governing board and administration have established General Fund Cash Balance goals of \$35,000 by June 30, 2014, and \$60,000 by June 30, 2015 to improve end of year cash balances.
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.

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# 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

Beacon Hill Community School  
Wayne County  
9048 Dover Road  
Apple Creek, Ohio 44606

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Beacon Hill Community School, Wayne County, Ohio (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 9, 2014.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 9, 2014

**BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Student Attendance Reporting – Noncompliance – Significant Deficiency**

**Ohio Rev. Code Section 3314.08(B)(2)** provides the governing authority of each community school established under this chapter to annually report all of the following: (a) The number of students enrolled in grades one through twelve and the full-time equivalent number of students enrolled in kindergarten in the school who are not receiving special education and related services pursuant to an IEP; (b) The number of enrolled students in grades one through twelve and the full-time equivalent number of enrolled students in kindergarten, who are receiving special education and related services pursuant to an IEP; (c) The number of students reported under division (B)(2)(b) of this section receiving special education and related services pursuant to an IEP for a disability described in each of divisions (A) to (F) of section 3317.013 of the Revised Code; (d) The full-time equivalent number of students reported under divisions (B)(2)(a) and (b) of this section who are enrolled in career-technical education programs or classes described in each of divisions (A) to (E) of section 3317.014 of the Revised Code that are provided by the community school; (e) Twenty per cent of the number of students reported under divisions (B)(2)(a) and (b) of this section who are not reported under division (B)(2)(d) of this section but who are enrolled in career-technical education programs or classes described in each of divisions (A) to (E) of section 3317.014 of the Revised Code at a joint vocational school district or another district in the career-technical planning district to which the school is assigned; (f) The number of students reported under divisions (B)(2)(a) and (b) of this section who are category one to three limited English proficient students described in each of divisions (A) to (C) of section 3317.016 of the Revised Code; (g) The number of students reported under divisions (B)(2)(a) and (b) who are economically disadvantaged, as defined by the department. A student shall not be categorically excluded from the number reported under division (B)(2)(g) of this section based on anything other than family income. (h) For each student, the city, exempted village, or local school district in which the student is entitled to attend school under section 3313.64 or 3313.65 of the Revised Code.

The Ohio Department of Education performed a review of the reported attendance data for students enrolled during the 2012-2013 school year. Concerning brick & mortar students, three of the twelve tested were found to have discrepancies between reported and actual attendance rates. Concerning e-School students, all thirteen tested were found to have discrepancies between reported and actual attendance rates. This review could result in a potential assessment against future foundation revenue payments.

The Board of Directors and School Officials should review enrollment and attendance tracking practices to ensure attendance and enrollment data reported to the Ohio Department of Education is accurate and correctly reported based on the Ohio Department of Education's reporting requirements. This will aid in ensuring future reported enrollment and attendance data is accurately reported and could alleviate future foundation revenue assessments.

**Officials' Response:** We did not receive a response from Officials to this finding.

BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2012-001	Key Policies and Procedures Were Not Implemented by the Board of Directors.	Yes	Finding no longer valid.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Beacon Hill Community School  
Wayne County  
9048 Dover Road  
Apple Creek, Ohio 44606

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Beacon Hill Community School (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated April 4, 2013, we noted the Board adopted an anti-harassment policy on September 19, 2012. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on June 26, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666 that were noted as being excluded from the September 19, 2012 policy.
3. We also noted the Board amended its anti-harassment policy at its meeting on June 26, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 9, 2014



# Dave Yost • Auditor of State

**BEACON HILL COMMUNITY SCHOOL**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2014**