



Dave Yost • Auditor of State

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hardin Community School
Hardin County
333 East Center Street
Marion, Ohio 43302

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hardin Community School, Hardin County (the School), a component unit of the Hardin County Educational Service Center as of and for the years ended June 30, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Hardin Community School, Hardin County as of June 30, 2013 and 2012, and the respective changes in cash financial position thereof the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03(B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3B to the financial statements, during 2012, the Government has elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net cash position/assets and changes in net cash position/assets. This information provides additional analysis and is not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014

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**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

The discussion and analysis of the Hardin 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 cash position was \$259,959 at June 30, 2013.
- The School had operating revenues of \$262,234 and operating expenses of \$272,449 for fiscal year 2013.
- The School also received \$143,458 non-operating federal grants during fiscal year 2013.
- Total change in net cash position for fiscal year 2013 was an increase of \$133,243, from a beginning balance of \$126,716 to a balance of \$259,959.

Using these Cash Basis Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position – cash basis and statement of revenues, expenses and changes in net position – cash basis provide information about the activities of the School.

Reporting the School's Financial Activities

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position - Cash Basis

These documents look at all financial transactions and ask the question, "How did the School do financially during 2013?" The statement of net position – cash basis and statement of revenues, expenses and changes in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash is actually received or paid.

These two statements report the School's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the School as a whole, the cash basis 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.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

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

Net Cash Position		
	2013	2012
Assets:		
Current Assets	\$259,959	\$126,716
Total Assets	259,959	126,716
 Net Cash Position:		
Restricted	12,823	11,875
Unrestricted	247,136	114,841
Total Net Cash Position	\$259,959	\$126,716

Over time, net position can serve as a useful indicator of a government's financial position. Total net cash position of the School increased \$133,243, which represents a 105.15% increase from net cash position at June 30, 2012. A portion of the School's net cash position, \$12,823, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash assets of \$247,136 may be used for the School's ongoing operations.

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

Change in Net Cash Position		
	2013	2012
Operating Revenues:		
Foundation payments	\$248,918	\$265,893
Sales/charges for services	4,625	
Other	8,691	900
Total operating revenues	262,234	266,793
 Operating Expenses:		
Purchased services	186,192	181,838
Materials and supplies	41,727	99,610
Capital outlay	44,196	97,751
Other	334	3,756
Total operating expenses	272,449	382,955
 Non-operating revenues:		
Federal grants	143,458	137,311
Total non-operating revenues	143,458	137,311
Change in net cash position	133,243	21,149
Net cash position at beginning of year	126,716	105,567
Net cash position at end of year	\$259,959	\$126,716

Foundation payments decreased 6.38% from 2012 and operating expenses decreased 28.86% from 2012 as a result of a decrease in student enrollment in fiscal year 2013. The School received more funding from Federal programs, such as Public Charter School, during 2013.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

Capital Assets and Debt Administration

Capital Assets

The School does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

Debt Administration

The School does not have any debt obligations outstanding as of June 30, 2013.

Current Financial Related Activities

The School is sponsored by Hardin County Educational Service Center. The School is reliant upon State Foundation monies and Federal Sub-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 Ms. Mandy Gossard France, Treasurer, North Central Ohio Educational Service Center, Marion Campus, 333 East Center Street, Marion, Ohio 43302, or email at mfrance@ncoesc.org.

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**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$259,959
Total assets	<u>259,959</u>

Net Cash Position:

Restricted for:

Restricted for federal programs	12,823
Unrestricted	247,136
Total net cash position	<u><u>\$259,959</u></u>

See accompanying notes to the basic financial statements.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Operating Revenues:	
Foundation payments	\$248,918
Sales/charges for services	4,625
Other	8,691
Total operating revenues	<u>262,234</u>
Operating Expenses:	
Purchased services	186,192
Materials and supplies	41,727
Capital outlay	44,196
Other	334
Total operating expenses	<u>272,449</u>
Operating loss	<u>(10,215)</u>
Non-Operating Revenues:	
Federal grants	143,458
Total nonoperating revenues	<u>143,458</u>
Change in net cash position	133,243
Net cash position at beginning of year	<u>126,716</u>
Net cash position at end of year	<u><u>\$259,959</u></u>

See accompanying notes to the basic financial statements.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Hardin Community School (the "School") serves as a non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is a charter school in the State of Ohio. The School is an approved tax-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 occurred that might adversely affect the School's tax-exempt status.

In October 2010, the Hardin County Court of Common Pleas, Juvenile Division (Lifeworks Center), the Hardin Community School, and the Hardin County Educational Service Center (Sponsor), entered into a Memorandum of Understanding (MOU) toward establishing a mutual framework governing the respective organizational relationships, responsibilities, activities, and cooperation. The Lifeworks Center serves young people on court probation by academically assisting students with a mixture of education, vocational assistance, mentoring, mental health and drug and alcohol services so as to improve the possibility of success for the student, family and the Hardin County community. The School, through its Sponsor, is the educational provider of a diverse education program. Its students are actively involved in learning activities as individual staff and faculty offer areas of expertise that are equally diverse; educating high risk as well as more traditional students, who are enrolled.

The School was approved for operation under contract with the Sponsor for the period of five years commencing on July 1, 2010 and ending on June 30, 2015. 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 School operates under the direction of a six member Governing Board that serves on a volunteer-basis. The Governing 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School's accounting policies.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net position and a statement of revenues, expenses and change in net position. The statement of net position presents the cash balance of the business-type activities of the School at fiscal year end.

The statement of revenues, expenses and changes in net position compares disbursements with receipts for each function of the School's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

The School uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The School's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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 under Ohio Revised Code Section 5705.391, the School must prepare a five-year spending plan and submit it to the Ohio Superintendent of Public Instruction.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Inventory and Prepaid Items

The School reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Revenues and Expenses

Operating revenues are those receipts 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.

I. Intergovernmental Revenue

The School currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the School. Foundation payments for the fiscal year 2013 amounted to \$248,918.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are received. During 2013, the School received \$143,458 in grants and entitlements during fiscal year 2013.

3. ACCOUNTABILITY AND COMPLIANCE

A. 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-an amendment of GASB Statements No. 10 and No. 62".

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.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

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. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the School.

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.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, Net Position/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

4. DEPOSITS AND INVESTMENTS

At June 30, 2013, the carrying amount of the School's deposits was \$259,959 and the bank balance was \$260,314; \$250,000 of the Community School's deposits were covered by the Federal Deposit Insurance Corporation. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$10,314 was exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

5. RISK MANAGEMENT

Property and Liability

Presently, the School is being provided space by Lifeworks Center who is paying the property and liability insurance on their building and property in a policy through the Hardin County Commissioners. The Community School also has a liability policy with SORSA.

6. OTHER EMPLOYEE BENEFITS

The employees of the School are employed by Hardin County Educational Service Center. Policies and procedures are approved by the Hardin County Educational Service Center Board of Education and are applied to Compensated Absences, Insurance Benefits, and Deferred Compensation of staff utilized from the Hardin County Educational Service Center by contract.

7. MANAGEMENT AGREEMENT

The School entered into a contract, effective July 1, 2010 through June 30, 2015, renewable each year up to five years, with Hardin County Educational Service Center (Sponsor) for educational and financial management services. The School paid the Sponsor \$132,683 for services provided during fiscal year 2013. Terms of the contract require the Sponsor to provide the following:

- A. All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the School;
- B. Implementation and administration of the Educational Program, including the selection of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- C. All personnel functions, including professional development for the School principal, all instructional personnel, and support staff;
- D. All aspects of the business administration of the School;
- E. Transportation and food service for the School;
- F. A projected annual budget prior to each fiscal year;
- G. Detailed statements of all revenues received, from whatever source, and detailed statements of all expenses for services rendered to or on behalf of the School, whether incurred on-site or off-site, upon request;
- H. Annual audits in compliance with state law and regulations' performances, upon request;
- I. Reports on School operations, finances, and students' performances, upon request; and
- J. Any other function necessary or expedient for the administration of the School.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

8. PURCHASED SERVICES

For fiscal year ended June 30, 2013, expenses for purchased services were as follows:

Professional and technical services	\$182,939
Administrative/meeting expenses	<u>3,253</u>
Total	<u>\$186,192</u>

9. RENTAL AGREEMENT

The School entered into memorandum of agreement with Lifeworks Center and its Sponsor beginning November 1, 2010 through November 1, 2014, with the Sponsor providing internet access in exchange for class space (rent), restrooms, lunch/vending area, conference space, security features, and utilities. Lifeworks provided these for fiscal year 2013 with rent and utilities being \$3,099 and \$715 per month respectively. See Note 13 for detail on in-kind contributions.

10. FEDERAL TAX-EXEMPT STATUS

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-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 occurred that might adversely affect the School's tax-exempt status.

11. FISCAL AGENT AND ADMINISTRATIVE SERVICES

The School utilizes the services of the Hardin County Educational Service Center for a variety of services including its Assistant Treasurer as the School's fiscal officer. The School does not directly pay the Treasurer or other individuals; however, it does reimburse the Hardin County Educational Service Center for the services.

12. CONTINGENCIES

A. Grants

The School receives financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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 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. The School has not been reviewed as of June 30, 2013. The School does not anticipate any significant adjustments to State funding for the fiscal year 2014, as a result of the reviews which have yet to be completed.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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

13. RELATED PARTY TRANSACTIONS

During fiscal year 2013, the school received in-kind contributions from Lifeworks Center and its Sponsor. Lifeworks Center provided classroom space, restrooms, lunch/vending area, conference space, security features, and utilities. The Sponsor provided administrative support services. All in-kind contributions totaled \$47,793.

Below are the amounts contributed to the School by Lifeworks Center and its Sponsor:

Lifeworks Center:	
Rent	\$37,188
Utilities	<u>8,580</u>
Total	<u><u>45,768</u></u>
Hardin County ESC:	
Administrative support	<u>2,025</u>
Total	<u><u>\$2,025</u></u>

14. SUBSEQUENT EVENT

Effective August 1, 2013, the School's sponsor changed from the Hardin County Educational Service Center to the North Central Ohio Educational Service Center.

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**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of the Hardin Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- In total, net cash assets were \$126,716 at June 30, 2012.
- The School had operating revenues of \$266,793 and operating expenses of \$382,955 for fiscal year 2012.
- The School also received \$137,311 non-operating federal grants during fiscal year 2012.
- Total change in net cash assets for fiscal year 2012 was an increase of \$21,149, from a restated beginning balance of \$105,567 to a balance of \$126,716.

Using these Cash Basis Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net assets – cash basis and statement of revenues, expenses and changes in net assets – cash basis provide information about the activities of the School.

Reporting the School's Financial Activities

Statement of Net Assets and the Statement of Revenues, Expenses Changes in Net Assets - Cash Basis

These documents look at all financial transactions and ask the question, "How did the School do financially during 2012?" The statement of net assets – cash basis and the statement of revenues, expenses and changes in net assets – cash basis answer this question. These statements include only the net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's revenues and expenses if the cash is actually received or paid.

These two statements report the School's net assets and changes in net assets on a cash basis. This change in net assets is important because it tells the reader that, for the School as a whole, the cash basis 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 21 and 22 of this report.

The table below provides a summary of the School's net cash assets for fiscal years 2012 and 2011. Fiscal year 2011 amounts have been restated below to reflect the School's change in reporting on the cash-basis of accounting from the GAAP-basis of accounting (see Note 3.B for further detail).

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Net Cash Assets		
	2012	Restated 2011
Assets:		
Current assets	\$126,716	\$105,567
Total assets	126,716	105,567
Net Cash Assets:		
Restricted	11,875	21,497
Unrestricted	114,841	84,070
Total net cash assets	\$126,716	\$105,567

Over time, net assets can serve as a useful indicator of a government's financial position. Total net cash assets of the School increased \$21,149, which represents a 20.03% increase from restated net cash assets at June 30, 2011. A portion of the School's net cash assets, \$11,875, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash assets of \$114,841 may be used for the School's ongoing operations.

The table below shows the changes in net assets for fiscal year 2012 and 2011.

Change in Net Cash Assets		
	2012	Restated 2011
Operating Revenues:		
Foundation payments	\$265,893	\$166,506
Other	900	
Total operating revenues	266,793	166,506
Operating Expenses:		
Purchased services	181,838	97,135
Materials and supplies	99,610	39,655
Capital outlay	97,751	117,406
Other	3,756	4,948
Total operating expenses	382,955	259,144
Non-operating revenues:		
Federal grants	137,311	198,205
Total non-operating revenues	137,311	198,205
Change in net cash assets	21,149	105,567
Net cash assets at beginning of year (restated)	105,567	105,567
Net cash assets at end of year	\$126,716	\$105,567

Foundation payments increased 59.69% from 2011 and operating expenses increased 47.78% from 2011 as a result of an increase in student enrollment from 14 to 39 students in fiscal year 2012. The School received less funding from Federal programs, such as Education Jobs and Public Charter School, during 2012.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The School does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

Debt Administration

The School does not have any debt obligations outstanding as of June 30, 2012.

Current Financial Related Activities

The School is sponsored by Hardin County Educational Service Center. The School is reliant upon State Foundation monies and Federal Sub-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 Ms. Mandy Gossard France, Treasurer, Hardin Community School, North Central Ohio Educational Service Center, Marion Campus, 333 East Center Street, Marion, Ohio 43302, or email at mfrance@ncoesc.org.

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HARDIN COMMUNITY SCHOOL
HARDIN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$126,716
Total assets	<u>126,716</u>

Net Cash Assets:

Restricted for:

Restricted for federal programs	11,875
Unrestricted	<u>114,841</u>
Total net cash assets	<u><u>\$126,716</u></u>

See accompanying notes to the basic financial statements.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Operating Revenues:	
Foundation payments	\$265,893
Other	900
Total operating revenues	<u>266,793</u>
Operating Expenses:	
Purchased services	181,838
Materials and supplies	99,610
Capital outlay	97,751
Other	3,756
Total operating expenses	<u>382,955</u>
Operating loss	<u>(116,162)</u>
Non-Operating Revenues:	
Federal grants	<u>137,311</u>
Total non-operating revenues	<u>137,311</u>
Change in net cash assets	21,149
Net cash assets at beginning of year (restated)	<u>105,567</u>
Net cash assets at end of year	<u><u>\$126,716</u></u>

See accompanying notes to the basic financial statements.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Hardin Community School (the "School") serves as a non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is a charter school in the State of Ohio. The School is an approved tax-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 occurred that might adversely affect the School's tax-exempt status.

In October 2010, the Hardin County Court of Common Pleas, Juvenile Division (Lifeworks Center), the Hardin Community School, and the Hardin County Educational Service Center (Sponsor), entered into a Memorandum of Understanding (MOU) toward establishing a mutual framework governing the respective organizational relationships, responsibilities, activities, and cooperation. The Lifeworks Center serves young people on court probation by academically assisting students with a mixture of education, vocational assistance, mentoring, mental health and drug and alcohol services so as to improve the possibility of success for the student, family and the Hardin County community. The School, through its Sponsor, is the educational provider of a diverse education program. Its students are actively involved in learning activities as individual staff and faculty offer areas of expertise that are equally diverse; educating high risk as well as more traditional students, who are enrolled.

The School was approved for operation under contract with the Sponsor for the period of five years commencing on July 1, 2010 and ending on June 30, 2015. 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 School operates under the direction of a six member Governing Board that serves on a volunteer-basis. The Governing 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School's accounting policies.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets and a statement of revenues, expenses and change in net assets. The statement of net assets presents the cash balance of the business-type activities of the School at fiscal year end.

The statement of revenues, expenses and changes in net assets compares disbursements with receipts for each function of the School's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

The School uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or

net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The School's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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 under Ohio Revised Code Section 5705.391, the School must prepare a five-year spending plan and submit it to the Ohio Superintendent of Public Instruction.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Inventory and Prepaid Items

The School reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Net Cash Assets

Net cash assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Revenues and Expenses

Operating revenues are those receipts 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.

I. Intergovernmental Revenue

The School currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the School. Foundation payments for the fiscal year 2012 amounted to \$265,893.

Education Jobs and Public Charter School grants are recognized as non-operating revenues in the accounting period in which they are received. The School received \$137,311 in grants and entitlements during fiscal year 2012.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the School has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School.

B. Change in Basis of Accounting and Restatement of Prior Year Net Assets

Ohio Administrative Code, Section 117-2-03(B), requires that the School prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year ending June 30, 2012, the School changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.B), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The School has elected to present the cash-basis financial statements in a format consistent with GASB Statement No. 34. Net assets at June 30, 2011 have been restated to account for the change in accounting principle, which effectively eliminated accruals of assets and liabilities.

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on net assets at June 30, 2011:

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

Net assets at June 30, 2011	\$246,355
Adjustment due to change in basis of accounting	<u>(140,788)</u>
Restated net cash assets at June 30, 2011	<u>\$105,567</u>

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

4. DEPOSITS AND INVESTMENTS

At June 30, 2012, the carrying amount of the School's deposits was \$126,716 and the bank balance was \$129,711. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the entire bank balance was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

5. RISK MANAGEMENT

Property and Liability

Presently, the School is being provided space by Lifeworks Center who is paying the property and liability insurance on their building and property in a policy through the Hardin County Commissioners. The Community School also has a liability policy with SORSA.

6. OTHER EMPLOYEE BENEFITS

The employees of the School are employed by Hardin County Educational Service Center. Policies and procedures are approved by the Hardin County Educational Service Center Board of Education and are applied to Compensated Absences, Insurance Benefits, and Deferred Compensation of staff utilized from the Hardin County Educational Service Center by contract.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. MANAGEMENT AGREEMENT

The School entered into a contract, effective July 1, 2010 through June 30, 2015, renewable each year up to five years, with Hardin County Educational Service Center (Sponsor) for educational and financial management services. The School paid the Sponsor \$101,971 for services provided during fiscal year 2012. Terms of the contract require the Sponsor to provide the following:

- A. All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the School;
- B. Implementation and administration of the Educational Program, including the selection of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- C. All personnel functions, including professional development for the School principal, all instructional personnel, and support staff;
- D. All aspects of the business administration of the School;
- E. Transportation and food service for the School;
- F. A projected annual budget prior to each fiscal year;
- G. Detailed statements of all revenues received, from whatever source, and detailed statements of all expenses for services rendered to or on behalf of the School, whether incurred on-site or off-site, upon request;
- H. Annual audits in compliance with state law and regulations' performances, upon request;
- I. Reports on School operations, finances, and students' performances, upon request; and
- J. Any other function necessary or expedient for the administration of the School.

8. PURCHASED SERVICES

For fiscal year ended June 30, 2012, expenses for purchased services were as follows:

Professional and technical services	\$178,232
Administrative/meeting expenses	<u>3,606</u>
Total	<u><u>\$181,838</u></u>

9. RENTAL AGREEMENT

The School entered into memorandum of agreement with Lifeworks Center and its Sponsor beginning November 1, 2010 through November 1, 2014, with the Sponsor providing internet access in exchange for class space (rent), restrooms, lunch/vending area, conference space, security features, and utilities. Lifeworks provided these for fiscal year 2012 with rent and utilities being \$3,099 and \$715 per month respectively. See Note 13 for detail on in-kind contributions.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. FEDERAL TAX-EXEMPT STATUS

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-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 occurred that might adversely affect the School's tax-exempt status.

11. FISCAL AGENT AND ADMINISTRATIVE SERVICES

The School utilizes the services of the Hardin County Educational Service Center for a variety of services including its Assistant Treasurer as the School's fiscal officer. The School does not directly pay the Treasurer or other individuals; however, it does reimburse the Hardin County Educational Service Center for the services.

12. CONTINGENCIES

A. Grants

The School receives financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2012.

B. State Foundation Funding

The Ohio Department of Education 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. The School has not been reviewed as of June 30, 2012. The School does not anticipate any significant adjustments to State funding for the fiscal year 2012, as a result of the reviews which have yet to be completed.

13. RELATED PARTY TRANSACTIONS

During fiscal year 2012, the school received in-kind contributions from Lifeworks Center and its Sponsor. Lifeworks Center provided classroom space, restrooms, lunch/vending area, conference space, security features, and utilities. The Sponsor provided administrative support services. All in-kind contributions totaled \$50,768.

Below are the amounts contributed to the School by Lifeworks Center and its Sponsor:

Lifeworks Center:	
Rent	\$37,188
Utilities	8,580
Total	<u>45,768</u>
Hardin County ESC:	
Administrative support	5,000
Total	<u>\$5,000</u>



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*

Hardin Community School
Hardin County
333 East Center Street
Marion, Ohio 43302

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 School as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 28, 2014, wherein we noted the School uses a special purpose framework other than generally accepted accounting principles. Also as disclosed in Note 3B to the financial statement during 2012, the School restated the beginning net assets as of July 1, 2011.

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.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014

HARDIN COMMUNITY SCHOOL
HARDIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance

Failure to File GAAP Report

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03 (B) requires the School to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School prepared its financial statements for fiscal year 2012 and 2013 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Ohio Rev. Code Section 117.38 also requires that entities shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer. The School did not publish the notice of availability for fiscal period 2013.

The School should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, and the disclosures to provide a complete presentation of financial status. The School should also ensure that the annual notification to residents that the statements are available for review is published in the newspaper.

Official's Response:

We did not receive a response from Officials to this finding.

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Hardin Community School
Hardin County
400 Decatur Street
Kenton, Ohio 43326

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 Hardin 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. We noted on October 25, 2010, the School adopted the anti-harassment policy of the Hardin County Educational Service Center (Center). The Center amended its anti-harassment policy at its meeting on June 14, 2012 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".

Dave Yost
Auditor of State

February 28, 2014

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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Dave Yost • Auditor of State

HARDIN COMMUNITY SCHOOL

HARDIN 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 8, 2014**