



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  
161 South Main Street  
Creston, Ohio 44217

To the Board of Directors:

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

We have audited the accompanying financial statements of Beacon Hill Community School, Wayne County, Ohio (the School), as of and for the year ended June 30, 2014, 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 overall financial statement presentation.

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

**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, 2014, 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 February 5, 2015, 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

February 5, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The management's discussion and analysis of the Beacon Hill Community School's ("School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position was a deficit of \$36,603 at June 30, 2014.
- The School had operating revenues of \$456,998, operating expenses of \$511,491 and nonoperating revenues of \$82,416 for fiscal year 2014. The total change in net position for the fiscal year was an increase of \$27,923.

**Using the Basic Financial Statements**

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

**Reporting the School's Financial Activities**

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did the School do financially during fiscal year 2014?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 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 11-18 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The table below provides a summary of the School's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current assets	\$ 38,889	\$ 8,903
Total assets	<u>38,889</u>	<u>8,903</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>75,492</u>	<u>73,429</u>
Total liabilities	<u>75,492</u>	<u>73,429</u>
<b><u>Net Position</u></b>		
Restricted	14,745	6,817
Unrestricted (deficit)	<u>(51,348)</u>	<u>(71,343)</u>
Total net position (deficit)	<u>\$ (36,603)</u>	<u>\$ (64,526)</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's net position was a deficit of \$36,603.

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, \$14,745, represents resources that are subject to external restriction on how they may be used. Unrestricted net position 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, 2014  
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2014 and 2013.

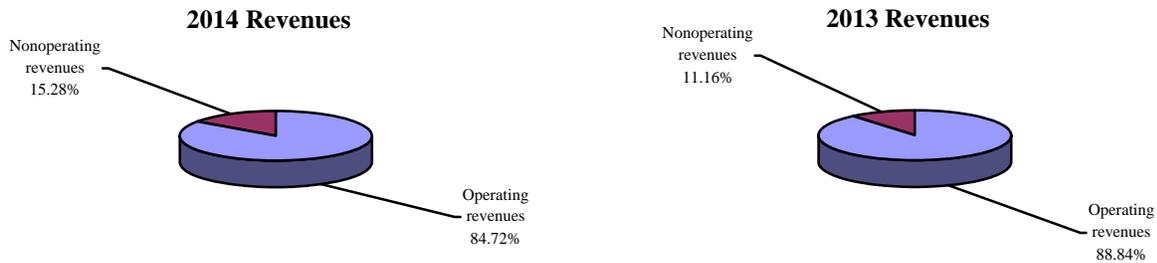
**Change in Net Position**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 431,341	\$ 424,766
Charges for services	<u>25,657</u>	<u>34,933</u>
Total operating revenues	<u>456,998</u>	<u>459,699</u>
<b><u>Operating Expenses:</u></b>		
Salaries and benefits	11,908	-
Purchased services	444,042	488,809
Materials and supplies	32,542	36,554
Other	<u>22,999</u>	<u>10,619</u>
Total operating expenses	<u>511,491</u>	<u>535,982</u>
<b><u>Nonoperating Revenues:</u></b>		
Grants and subsidies	56,134	51,755
Interest revenue	29	6
Donations and contributions	<u>26,253</u>	<u>5,973</u>
Total nonoperating revenues	<u>82,416</u>	<u>57,734</u>
Change in net position	27,923	(18,549)
Net position (deficit) at beginning of year	<u>(64,526)</u>	<u>(45,977)</u>
Net position (deficit) at end of year	<u>\$ (36,603)</u>	<u>\$ (64,526)</u>

Fiscal year 2014 was the third year of operations for the School. The School is reliant upon State foundation revenue to support operations. The School also receives federal grant revenue which is reported as non-operating revenue.

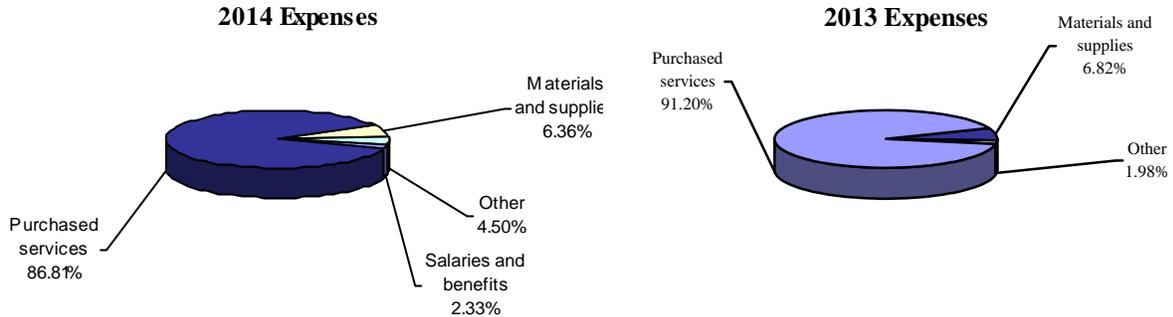
Purchased services are the largest expense to the School. Purchased services expenses primarily include payments made to Southeast Local School District and Tri-County Educational Service Center for various services as outlined in Note 12 to the basic financial statements. The School employed the treasurer during fiscal year 2014, resulting in an increase in salaries and benefits. Previously, this position was paid for through purchased services.

The charts below illustrate the revenues and expenses for the School during fiscal years 2014 and 2013.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**



**Capital Assets**

The School maintains a capitalization threshold of \$5,000. The School had no capital assets at June 30, 2014.

**Current Financial Related Activities**

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

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

**Contacting the School's Financial Management**

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

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

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Assets:**

Current assets:

Cash and cash equivalents . . . . .	\$ 36,843
Receivables:	
Intergovernmental. . . . .	<u>2,046</u>
Total assets. . . . .	<u>38,889</u>

**Liabilities:**

Current liabilities:

Accounts payable . . . . .	8,229
Intergovernmental payable . . . . .	<u>67,263</u>
Total liabilities . . . . .	<u>75,492</u>

**Net position:**

Restricted for federal programs. . . . .	1,071
Restricted for other purposes . . . . .	13,674
Unrestricted (deficit) . . . . .	<u>(51,348)</u>
Total net position (deficit). . . . .	<u>\$ (36,603)</u>

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, 2014**

<b>Operating revenues:</b>	
Foundation revenue. . . . .	\$ 431,341
Sales . . . . .	25,657
Total operating revenues . . . . .	<u>456,998</u>
 <b>Operating expenses:</b>	
Salaries and wages. . . . .	6,875
Fringe benefits. . . . .	5,033
Purchased services . . . . .	444,042
Materials and supplies . . . . .	32,542
Other . . . . .	22,999
Total operating expenses. . . . .	<u>511,491</u>
 Operating loss . . . . .	 <u>(54,493)</u>
 <b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	56,134
Interest revenue . . . . .	29
Contributions and donations . . . . .	26,253
Total nonoperating revenues . . . . .	<u>82,416</u>
 Change in net position. . . . .	 27,923
 <b>Net position (deficit) at beginning of year . . . . .</b>	 <u>(64,526)</u>
 <b>Net position (deficit) at end of year . . . . .</b>	 <u><u>\$ (36,603)</u></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, 2014**

**Cash flows from operating activities:**

Cash received from State foundation . . . . .	\$	474,213
Cash received from sales . . . . .		25,657
Cash payments for contractual services . . . . .		(11,908)
Cash payments for purchased services . . . . .		(489,730)
Cash payments for materials and supplies . . . . .		(26,563)
Cash payments for other expenses . . . . .		(24,099)
		<u>(52,430)</u>
Net cash (used in) operating activities . . . . .		(52,430)

**Cash flows from noncapital financing activities:**

Cash received from grants and subsidies . . . . .		54,286
Cash received from contributions and donations. . . . .		26,253
		<u>80,539</u>
Net cash provided by noncapital financing activities . . . . .		80,539

**Cash flows from investing activities:**

Interest received . . . . .		29
		<u>29</u>
Net cash provided by investing activities . . . . .		29

Net increase in cash and cash equivalents. . . . . 28,138

**Cash and cash equivalents at beginning of year . . . . .** 8,705

**Cash and cash equivalents at end of year. . . . .** \$ 36,843

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

Operating loss . . . . .	\$	(54,493)
Changes in assets and liabilities:		
Increase in accounts payable. . . . .		7,129
(Decrease) in intergovernmental payable . . . . .		(5,066)
		<u>(52,430)</u>
Net cash (used in) operating activities . . . . .	\$	(52,430)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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. Tri-County Educational Service Center and Beacon Hill have renewed the sponsorship agreement for three years extending the agreement to June 30, 2017.

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 12.

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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 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 2014 school year, excluding all other federal and State grants, totaled \$431,341.

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 2014 received was \$56,134.

In addition, the School received \$26,253 in local contributions and donations during fiscal year 2014.

**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, 2014.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2014, the School has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 4 - DEPOSITS**

At June 30, 2014, the carrying amount of all School deposits was \$36,843. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the entire bank balance of \$37,305 was covered by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 5 - RECEIVABLES**

Intergovernmental receivables at June 30, 2014 consisted of \$2,046 due related to the IDEA Part-B and the Title I disadvantaged children grant. This receivable is expected to be collected in the subsequent year.

**NOTE 6 - PURCHASED SERVICES**

For fiscal year 2014, purchased services expenses were as follows:

Professional services	\$ 350,283
Property rental and services	82,119
Travel, mileage and meetings	2,291
Communications	9,274
Contracted food services	<u>75</u>
Total purchased services	<u>\$ 444,042</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. The School is covered under the insurance policies maintained by the Lighthouse of Hope, the Tri-County Educational Service Center and Southeast Local School District for rental/theft, general liability, contents liability. Beacon Hill also has its own liability and property coverage purchased through Ohio School Plan and Hylant Insurance.

Settled claims did not exceed this commercial coverage in any of the past three years. There have been no significant reductions in coverage from the last year.

**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, 2014.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 8 - CONTINGENCIES - (Continued)**

**B. Ohio Department of Education Enrollment Review**

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. As a result of the fiscal year 2014 reviews, the School owes ODE \$42,872 and has reported this amount as an intergovernmental payable on the statement of net position. Of this amount, \$17,149 is due within one year with the remaining \$25,723 to be paid in fiscal year 2016.

**C. Litigation**

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

**NOTE 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, 2013 through May 31, 2014 and \$65,000 for the period of August 1, 2014 through May 31, 2015.

**NOTE 10 - PENSION PLANS**

**School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal year ended June 30, 2014 was \$926; 100 percent has been contributed for fiscal year 2014.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal year ended June 30, 2014, was \$10; 100 percent has been contributed for fiscal year 2014.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal year ended June 30, 2014, was \$54; 100 percent has been contributed for fiscal year 2014.

**NOTE 12 - PURCHASED SERVICE AGREEMENTS**

**A. Southeast Local School District**

The School entered into a one-year contract on August 1, 2013 with Southeast Local School District (the "District") for general administrative, fiscal and instructional staff services for August 1, 2013 through July 31, 2014. Under this contract, the following terms were agreed upon:

1. The Superintendent of the District shall assign personnel and/or issue contracts as necessary to perform contracted services for the School.
2. The School shall pay the District for instructional staff services as required by the School. The School will be invoiced for the applicable instructional staff time used by the School.
3. 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.
4. 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 2014, \$68,631 was paid to the District for general administrative, fiscal and instructional staff services under the agreement. To obtain the District's audited June 30, 2014 financial statements; please contact Mr. Mark Dickerhoof, Treasurer, 9048 Dover Rd., Apple Creek, Ohio 44606.

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

The School entered into a one-year contract on August 28, 2013 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 12 - PURCHASED SERVICE AGREEMENTS - (Continued)**

3. The purchased services agreement for fiscal year 2014 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, 2014 through June 30, 2015.

For fiscal year 2014, \$319,666 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, 2014 financial statements; please contact Mary Workman, Treasurer, 741 Winkler Rd, Wooster, Ohio 44691.

**C. Midland Council of Governments**

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

1. The COG will provide internet access services including, but not limited to, bandwidth, equipment, e-mail services, and web page hosting to the School for fiscal year 2014. Title to all internet equipment remains with the COG.

For fiscal year 2014, \$5,316 was paid to the COG for internet access services under the agreement.

**NOTE 13 - FISCAL MANAGEMENT PLAN**

The governing board and administration of the School have developed the following fiscal management plan beginning fiscal year 2015:

1. Following the third full year of operations, low cash balances, and cash flows 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, 2015, and \$60,000 by June 30, 2016, 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 and amounts owed back to ODE for FTE adjustments will be a significant factor affecting year end reports. Improving the year end cash assets will help to offset those outstanding liabilities.



# 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  
161 South Main Street  
Creston, Ohio 44217

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Beacon Hill Community School, Wayne County, Ohio, (the School) as of and for the year ended June 30, 2014, 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 5, 2015.

### ***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 Entity'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 initial "D".

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

February 5, 2015

BEACON HILL COMMUNITY SCHOOL  
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Ohio Rev. Code Section 3314.08(B)(2)</b> - Noncompliance - Significant Deficiency - There were discrepancies between reported and actual attendance rates.	Yes	

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# 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  
MAY 7, 2015**