



OHIO AUDITOR OF STATE
KEITH FABER



**BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Beacon Hill Community School
Wayne County
10470 Winesburg Road
P.O. Box 285
Dundee, Ohio 44624

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Beacon Hill Community School, Wayne County, Ohio (the School), as of and for the year ended June 30, 2021, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 financial position of the School, as of June 30, 2021, and the changes in 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding this matter.

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 March 17, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 17, 2022

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The management's discussion and analysis of the Beacon Hill Community Schools' ("School") financial performance provides an overall review of the Schools' financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the Schools' 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 Schools' financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- In total, net position was a balance of \$103,107 at June 30, 2021.
- The School had operating revenues of \$362,353, operating expenses of \$555,333 and nonoperating revenues of \$204,310 for fiscal year 2021. The total change in net position for the fiscal year was an increase of \$11,330.

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 Schools' 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 Schools' 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 2021?" 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 Schools' 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.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table below provides a summary of the schools' net position at June 30, 2021 and June 30, 2020.

Net Position

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets	\$ 133,550	\$ 95,575
Total assets	<u>133,550</u>	<u>95,575</u>
<u>Liabilities</u>		
Current liabilities	<u>30,443</u>	<u>3,798</u>
Total liabilities	<u>30,443</u>	<u>3,798</u>
<u>Net Position</u>		
Restricted	48,757	48,917
Unrestricted	<u>54,350</u>	<u>42,860</u>
Total net position	<u>\$ 103,107</u>	<u>\$ 91,777</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2021, the Schools' net position was a balance of \$103,107.

Current assets include the schools' checking and savings accounts, accounts receivable, and receivables related to federal and state grants. Current liabilities include intergovernmental payables due to Tri-County Education Service Center and Midland Council of Governments for services provided to the school by those entities and accounts payable to various vendors.

A portion of the schools' net position, \$48,757, represents resources that are subject to external restriction on how they may be used. Unrestricted balance was \$54,350 at fiscal year-end.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table below shows the changes in net position for fiscal years 2021 and 2020.

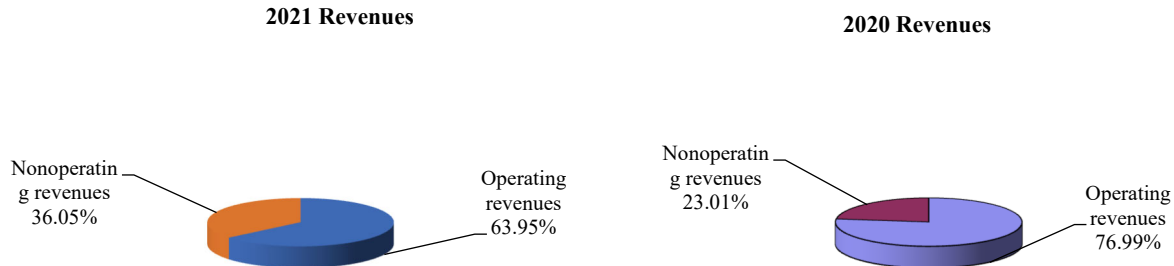
Change in Net Position

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues:</u>		
State foundation	\$ 355,275	\$ 432,956
Charges for services	<u>7,078</u>	<u>2,899</u>
Total operating revenues	<u>362,353</u>	<u>435,855</u>
<u>Operating Expenses:</u>		
Purchased services	473,833	469,079
Materials and supplies	55,621	21,124
Depreciation	-	615
Other	<u>25,879</u>	<u>27,225</u>
Total operating expenses	<u>555,333</u>	<u>518,043</u>
<u>Nonoperating Revenues:</u>		
Grants and subsidies	201,192	128,495
Interest revenue	27	19
Donations and contributions	<u>3,091</u>	<u>1,719</u>
Total nonoperating revenues	<u>204,310</u>	<u>130,233</u>
Change in net position	11,330	48,045
Net position at beginning of year	<u>91,777</u>	<u>43,732</u>
Net position at end of year	<u>\$ 103,107</u>	<u>\$ 91,777</u>

Fiscal year 2021 was the tenth 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.

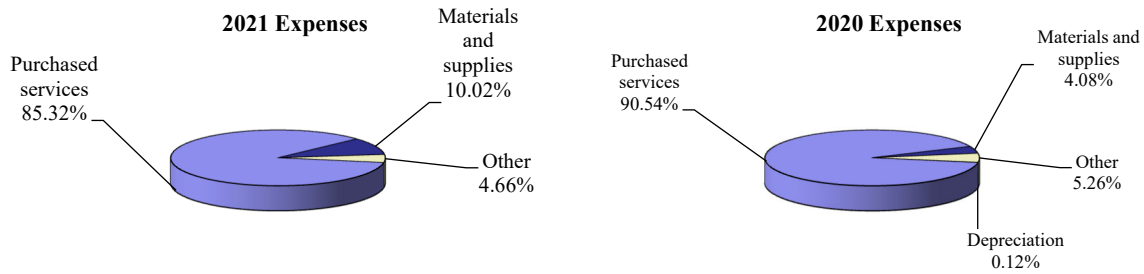
Purchased services are the largest expense to the school. Purchased services expenses primarily include payments made for various services as outlined in Note 11 to the basic financial statements.

The charts below illustrate the revenues and expenses for the school during fiscal years 2021 and 2020.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



Capital Assets

At the end of fiscal year 2021, the school had \$0 in capital assets, net of depreciation, consisting of equipment.

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

Current Financial Related Activities

The school is reliant upon State foundation monies and State and federal grants to offer quality, educational services to students. In order to continually provide learning opportunities to the schools' 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 Schools' Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the schools' finances and to show the schools' accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Judith Kestner, Treasurer, Beacon Hill Community School, PO Box 285, Mt. Eaton, OH 44659.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
JUNE 30, 2021

Assets:

Current assets:

Cash and cash equivalents	\$	87,696
Receivables:		
Accounts		846
Intergovernmental.		45,008
		133,550
Total assets.		133,550

Liabilities:

Current liabilities:

Accounts payable.		761
Intergovernmental payable		29,682
		30,443
Total liabilities		30,443

Net position:

Restricted for:

Restricted for state programs.		9,747
Federal programs		14,427
Other purposes		24,583
Unrestricted		54,350
		103,107
Total net position.	\$	103,107

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, 2021

Operating revenues:	
State foundation revenue	\$ 355,275
Sales	<u>7,078</u>
Total operating revenues	<u>362,353</u>
 Operating expenses:	
Purchased services.	473,833
Materials and supplies	55,621
Other.	<u>25,879</u>
Total operating expenses.	<u>555,333</u>
Operating loss	<u>(192,980)</u>
 Non-operating revenues:	
Grants and subsidies.	201,192
Interest revenue	27
Contributions and donations.	<u>3,091</u>
Total nonoperating revenues	<u>204,310</u>
Change in net position	11,330
Net position at beginning of year	<u>91,777</u>
Net position at end of year	<u><u>\$ 103,107</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, 2021

Cash flows from operating activities:	
Cash received from State foundation	\$ 355,275
Cash received from sales.	6,232
Cash payments for contractual services	(447,534)
Cash payments for materials and supplies	(55,254)
Cash payments for other expenses	(25,900)
	(167,181)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	159,614
Cash received from contributions and donations	3,091
	162,705
Cash flows from investing activities:	
Interest received	27
	27
Net change in cash and cash equivalents	(4,449)
Cash and cash equivalents at beginning of year	92,145
Cash and cash equivalents at end of year	\$ 87,696
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (192,980)
Changes in liabilities and deferred inflows:	
Change in accounts receivable	(846)
Change in accounts payable	(346)
Change in intergovernmental payable	26,991
	(167,181)
Net cash used in operating activities	\$ (167,181)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 through initial contracts with the Tri-County Educational Service Center (the “Sponsor”) through December 31, 2018. Beginning January 1, 2019, the Ohio Department of Education (ODE) became the Sponsor of the School. 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 Tri-County Educational Service Center provides teaching and administrative staff to the School on a contract basis. Tri-County Educational Service Center and Beacon Hill have renewed this agreement for one year extending the agreement to June 30, 2021.

The School has entered into purchased service agreements with the 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 11. The School operates under the direction of a self-appointed five to seven-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School’s one instructional/support facility which provides services to 50 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

B. Measurement Focus and Basis of Accounting

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

C. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2021, there were no deferred outflows of resources.

In addition to liabilities and change in proportionate share, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2021, there were no deferred inflows of resources.

D. Budgetary Process

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

E. Cash and cash equivalents

All monies received by the School are deposited into a checking account or savings account.

F. Net Position

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

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

G. Intergovernmental Revenue

The School currently participates in the State Foundation Program, the ESSER grant, the Coronavirus Relief grant, the IDEA Part B grant, the Title I grant, the Title II-A grant, and Title IV-A 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 2021 school year, excluding all other federal and State grants, totaled \$355,275.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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 2021 received was \$201,192.

In addition, the School received \$3,091 in local contributions and donations during fiscal year 2021.

H. Estimates

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

I. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition 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.

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

J. Prepayments

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2021, the School has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

NOTE 4 - DEPOSITS

At June 30, 2021, the carrying amount of all School deposits was \$87,696. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2021, the entire bank balance of \$96,492 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Intergovernmental receivables at June 30, 2021 consisted of \$45,008 in grants related to state and federal grant programs. The school also had \$846 in receivables for other various accounts. The receivables are expected to be collected in the subsequent year.

NOTE 6 - PURCHASED SERVICES

For fiscal year 2021, purchased services expenses were as follows:

Professional services	\$ 379,680
Property rental and services	75,667
Travel, mileage and meetings	373
Communications	17,993
Contracted food services	<u>120</u>
Total purchased services	<u>\$ 473,833</u>

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Equipment	\$ 6,150	\$ -	\$ -	\$ 6,150
Less: accumulated depreciation	<u>(6,150)</u>	<u>-</u>	<u>-</u>	<u>(6,150)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8 - RISK MANAGEMENT

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

Settled claims did not exceed this commercial coverage in any of the past three years, and there have been no significant reductions in coverage through June 30, 2021.

NOTE 9 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2021.

B. State Foundation Funding

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

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

As of the date of this report, additional ODE adjustments for fiscal year 2021 are finalized and had immaterial impact on the School.

In addition, the School's contracts with their Sponsor requires payment based on revenues received from the State. Similarly to above, the additional finalized FTE adjustments for fiscal year 2021 had an immaterial impact on the School.

C. Litigation

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

NOTE 10 - OPERATING LEASE

The School has entered into an operating lease with Lighthouse of Hope for rent of the School's instructional facility located at 10470 Winesburg Road, Dundee, Ohio. The lease calls for an annual rental payment of \$65,000 for the period August 1, 2020 through May 31, 2021, and \$65,000 for the period of August 1, 2021 through May 31, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - PURCHASED SERVICE AGREEMENTS

A. Ohio Department of Education

The School was approved under contract with the Office of Ohio School Sponsorship at the Department of Education (the “Sponsor”) commencing January 1, 2019. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

Under the terms of the Contract, the School is required to pay the Sponsor up to 3% of the funding provided to the School by the Ohio Department of Education as an oversight and monitoring (administrative) fee. During fiscal year 2021, the School paid \$10,738 in fees to the Sponsor.

B. Tri-County Educational Service Center

The School entered into a contract with Tri-County Educational Service Center (the “ESC”) for instructional staff services.

Under this contract, the following terms were agreed upon:

1. 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.
2. The purchased services agreement for fiscal year 2021 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to April 15, 2021 of any change in the services to be purchased for the term commencing July 1, 2021 through June 30, 2022.

For fiscal year 2021, \$306,794 was paid to the ESC for instructional staff services under the agreement. To obtain the ESC’s audited June 30, 2021 financial statements, please contact Ms. Mary Workman, Treasurer, 741 Winkler Rd, Wooster, Ohio 44691.

C. Midland Council of Governments

The School entered into a contract with the Midland Council of Governments (the “COG”) for internet and technology support services. Under this contract, the following terms were agreed upon:

1. The COG will provide internet and technology support services to the school for fiscal year 2021.

For fiscal year 2021, \$22,444 was paid to the COG for internet and technology support services under the agreement.

NOTE 12 - FISCAL MANAGEMENT PLAN

The governing board and administration of the School have developed the following fiscal management plan beginning fiscal year 2021:

1. Following the tenth full year of operations, cash balances, and cash flow have declined. Cash expenditures exceeded revenues by \$4,449 in fiscal year 2021.
 - a. Enrollment continues to be a top priority and drives funding. A decline in the number of Special Education students has also reduced state foundation revenue. Continual efforts are made to offer unique and quality services to meet the expectations of the surrounding community. Transportation requests have been made to local school districts to ensure that students from the surrounding areas have the ability to attend.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 12 - FISCAL MANAGEMENT PLAN - (Continued)

- b. Professional development continues to be a focus to maintain the School Wide Pool Program. Highly Qualified Teachers are in place for all courses. The use of I-Ready software to improve Test preparation for students was a focus area in recent fiscal years.
 - c. In July of 2016, the Governing Board and Administration raised the general fund cash balance goal to \$100,000 by June 30, 2017, and all funds balance to \$125,000 by June 30, 2017, to improve end of year cash balances, and build a cash reserve. With the full implementation of School Wide Pool Funding, local funds, and federal grants are combined to improve the educational opportunities for students and financial stability of the school. On June 30, 2020, the general fund cash balance was \$46,744. The all funds cash balance was \$92,145. On June 30, 2021 the general fund balance was \$26,734 and the all funds balance was \$87,696 so cash reserves are slightly lower than a year ago.
2. Due to the nature of GAAP reporting, the Governing Board understands that outstanding liabilities for professional staff services at year end will be a significant factor affecting year end reports. Improving the year end cash assets will help to offset those outstanding liabilities.

NOTE 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. In addition, the impact on the School's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 14 - SUBSEQUENT EVENTS

On August 1st, 2021, Judith Kestner took over as Treasurer of the School.

Effective July 1, 2021, the School and the Ohio Department of Education have entered into a new sponsorship agreement. This agreement shall be in effect through June 30, 2026.

For fiscal year 2022, community school foundation funding received from the state of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. For fiscal year 2021, the School reported \$333,631 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Beacon Hill Community School
Wayne County
10470 Winesburg Road
P.O. Box 285
Dundee, Ohio 44624

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Beacon Hill Community School, Wayne County, (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 17, 2022, wherein we noted the financial impact of COVID-19 and the continuing measures which may impact subsequent periods of the School.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 Government'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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 17, 2022

OHIO AUDITOR OF STATE KEITH FABER



BEACON HILL COMMUNITY SCHOOL

WAYNE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/12/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov