



Dave Yost • Auditor of State

**BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of Beacon Hill Community School, Wayne County, Ohio (the School), for the period August 23, 2011 through June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Beacon Hill Community School, Wayne County, Ohio, for the period August 23, 2011 through June 30, 2012, and the respective changes in financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

April 4, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012**

The management's discussion and analysis of the Beacon Hill Community School's (the "School") financial performance provides an overall review of the School's financial activities for the period August 23, 2011 through June 30, 2012, which was the first period of operation for the School. 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 the period August 23, 2011 through June 30, 2012 are as follows:

- In total, net assets were a deficit balance of \$45,977 at June 30, 2012.
- The School had operating revenues of \$324,864, operating expenses of \$412,605 and non-operating revenues of \$41,764 for the period August 23, 2011 through June 30, 2012. Total change in net assets for the School's initial period of operation was a decrease of \$45,977.

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 assets and statement of revenues, expenses and changes in net assets 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

The statement of net assets and the statement of revenues, expenses and changes in net assets answer the question, "How did we do financially during our initial operating period?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current period's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net assets and changes in those assets. This change in net assets 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 10-15 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012

Since this is the first year that the School has prepared financial statements, comparison with the prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the School's net assets at June 30, 2012.

	<u>2012</u>
Net Assets	
<u>Assets</u>	
Current assets	\$ 17,647
Total assets	<u>17,647</u>
<u>Liabilities</u>	
Current liabilities	<u>63,624</u>
Total liabilities	<u>63,624</u>
<u>Net Assets</u>	
Restricted	12,144
Unrestricted	<u>(58,121)</u>
Total net assets (deficit)	<u>\$ (45,977)</u>

Over time, net assets can serve as a useful indicator of an entity's financial position. At June 30, 2012, the School's net assets totaled a deficit of \$45,977.

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 assets, \$12,144, represents resources that are subject to external restriction on how they may be used. Unrestricted net assets may be used to meet the School's ongoing obligations to students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012

The table below shows the changes in net assets for the period August 23, 2011 through June 30, 2012.

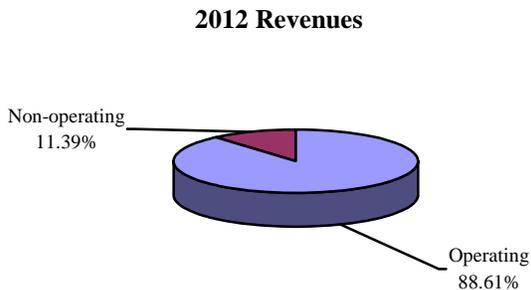
Change in Net Assets

	<u>2012</u>
<u>Operating Revenues:</u>	
State foundation	\$ 307,912
Sales/charges for services	<u>16,952</u>
Total operating revenue	<u>324,864</u>
<u>Operating Expenses:</u>	
Purchased services	382,818
Materials and supplies	29,637
Other	<u>150</u>
Total operating expenses	<u>412,605</u>
<u>Non-operating Revenues:</u>	
Grants and subsidies	35,624
Donations and contributions	<u>6,140</u>
Total non-operating revenues	<u>41,764</u>
Change in net assets	(45,977)
Net assets at beginning of period	<u>-</u>
Net assets (deficit) at end of period	<u>\$ (45,977)</u>

The period August 23, 2011 through June 30, 2012 was the first period of operation for the School. The School has 52 students during this time frame. The School is reliant upon State foundation revenue to support operations. The School also receives federal grant revenue which is reported as non-operating revenue.

Purchased services are the largest expense to the School. Purchased services expenses primarily include payments made to Southeast Local School District and Tri-County Educational Service Center for various services as outlined in Note 10 to the basic financial statements.

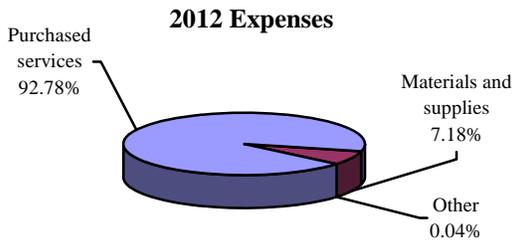
The chart below illustrates the revenues for the School during the period August 23, 2011 through June 30, 2012.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012**

The chart below illustrates the expenses for the School during the period August 23, 2011 through June 30, 2012.



Capital Assets

The School maintains a capitalization threshold of \$5,000. The School had no capital assets at June 30, 2012.

Current Financial Related Activities

The School is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

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

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Sandy Hadsell, Treasurer, Beacon Hill Community School, 9048 Dover Rd., Apple Creek, Ohio 44606.

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
Current assets:	
Cash and cash equivalents	\$ 17,369
Receivables:	
Intergovernmental.	<u>278</u>
Total assets.	<u>17,647</u>
 Liabilities:	
Current liabilities:	
Accounts payable.	220
Intergovernmental payable	<u>63,404</u>
Total liabilities	<u>63,624</u>
 Net assets:	
Restricted for:	
Restricted for federal programs	312
Restricted for other purposes.	11,832
Unrestricted.	<u>(58,121)</u>
Total net assets (deficit)	<u><u>\$ (45,977)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012

Operating revenues:	
Foundation revenue	\$ 307,912
Sales/charges for services.	16,952
Total operating revenues	324,864
Operating expenses:	
Purchased services.	382,818
Materials and supplies	29,637
Other.	150
Total operating expenses.	412,605
Operating loss	(87,741)
Non-operating revenues:	
Grants and subsidies.	35,624
Contributions and donations	6,140
Total nonoperating revenues	41,764
Change in net assets.	(45,977)
Net assets at beginning of year	-
Net assets at end of year (deficit).	\$ (45,977)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012

Cash flows from operating activities:	
Cash received from state foundation	\$ 307,912
Cash received from sales/charges for services.	16,952
Cash payments for purchased services	(319,308)
Cash payments for materials and supplies	(29,523)
Cash payments for other expenses	(150)
	<hr/>
Net cash (used in) operating activities	(24,117)
	<hr/>
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	35,346
Cash received from contributions and donations	6,140
	<hr/>
Net cash provided by noncapital financing activities.	41,486
	<hr/>
Net increase in cash and cash equivalents	17,369
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ 17,369
	<hr/> <hr/>
Reconciliation of operating loss to net cash (used in) operating activities:	
Operating loss	\$ (87,741)
Changes in assets and liabilities:	
Increase in accounts payable.	220
Increase in intergovernmental payable	63,404
	<hr/>
Net cash (used in) operating activities	\$ (24,117)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Beacon Hill Community School, Wayne County, Ohio (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status. The School's objective is to specifically address the needs of students who have met some academic requirements but have failed to successfully complete all those requirements necessary for the attainment of the high school diploma, or for those wishing to pursue a career or post-secondary study. The ultimate focus of the School's curriculum is to assist its students to earn credits for promotion through grades 7-8 and ultimately in earning a high school diploma while preparing them for higher education and employment opportunities. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was approved for operation under a contract with the Tri-County Educational Service Center (the "Sponsor") for a period of three years commencing July 1, 2011 through June 30, 2014. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Southeast Local School District and the Tri-County Educational Service Center provide teaching and administrative staff to the School on a contract basis.

The School has entered into purchased service agreements with the Southeast Local School District, Tri-County Educational Service Center and Midland Council of Governments to provide various purchased services to the School. Terms of the purchased service agreements are further described in Note 10.

The School operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School's one instructional/support facility which provides services to 52 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 also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided this guidance does not conflict with or contradict GASB pronouncements. The School has the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The School has elected not to apply this FASB guidance. The School's significant accounting policies are described below.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012

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 assets, 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 all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are 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 assets are available.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012

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 2012 school year, excluding all other federal and State grants, totaled \$307,912.

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 2012 received was \$35,624.

In addition, the School received \$6,140 in local contributions and donations during fiscal year 2012.

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, 2012.

NOTE 3 - 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012**

NOTE 4 - DEPOSITS

At June 30, 2012, the carrying amount of all School deposits was \$17,369. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the entire bank balance of \$17,969 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Intergovernmental receivables at June 30, 2012 consisted of \$278 due related to the IDEA Part B grant. This receivable is expected to be collected in the subsequent year.

NOTE 6 - PURCHASED SERVICES

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

Professional services	\$ 289,307
Property rental and services	73,593
Travel, mileage and meetings	2,063
Communications	17,454
Contracted food services	<u>401</u>
Total purchased services	<u>\$ 382,818</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 under 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.

Settled claims did not exceed this commercial coverage during the period August 23, 2011 through June 30, 2012.

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, 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012

NOTE 8 – CONTINGENCIES - (Continued)

B. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusion of the fiscal year 2012 review resulted in no adjustment to State Foundation settlements in fiscal year 2013.

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 \$50,000 for the period August 1, 2011 through May 31, 2012 and \$65,000 for the period August 1, 2012 through May 31, 2013.

NOTE 10 – PURCHASED SERVICE AGREEMENTS

A. Southeast Local School District

The School entered into a one-year contract on August 15, 2011 with Southeast Local School District (the "District") for general administrative, fiscal and instructional staff services for the period August 23, 2011 through June 30, 2012. 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. The fee for these services is \$5,000 per year.
2. The Treasurer of the District shall provide fiscal services as necessary to perform contracted services for the School. The fee for these services is \$5,000 per year.
3. The School shall pay up to \$5,000 to the District for building administration.
4. The School shall pay \$2,000 to the District for administration services.
5. 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.
6. 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 23, 2011 THROUGH JUNE 30, 2012**

NOTE 10 – PURCHASED SERVICE AGREEMENTS - (Continued)

7. The purchased services agreement may be terminated by the School or by the District, effective after the next succeeding 30th 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 the period August 23, 2011 through June 30, 2012, \$211,943 was paid to the District for general administrative, fiscal and instructional staff services under the agreement. To obtain the District's audited June 30, 2012 financial statements; please contact Mr. Sandy Hadsell, Treasurer, 9048 Dover Rd., Apple Creek, Ohio 44606.

B. Tri-County Educational Service Center

The School entered into a one-year contract on December 6, 2011 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 period August 23, 2011 through June 30, 2012 for a fee equal to 3% of the School's State of Ohio Foundation Settlement distribution dated December 1, 2011.
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.
3. The purchased services agreement for the period August 23, 2011 through June 30, 2012 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to March 15, 2012 of any change in the services to be purchased for the term commencing July 1, 2012 through June 30, 2013.

For the period August 23, 2011 through June 30, 2012, \$12,114 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, 2012 financial statements; please contact Mr. David Denbow, Treasurer, 741 Winkler Rd, Wooster, Ohio 44691.

C. Midland Council of Governments

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

1. The COG will provide internet access services including, but not limited to, bandwidth, equipment, e-mail services, and web page hosting to the School for the period July 1, 2011 through June 30, 2012. Title to all internet equipment remains with the COG.

For the period August 23, 2011 through June 30, 2012, \$14,751 was paid to the COG for internet access services under the agreement.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Directors:

We have audited the financial statements of Beacon Hill Community School, Wayne County, Ohio, (the School) for the period August 23, 2011 through June 30, 2012, and have issued our report thereon dated April 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-001 to be a significant deficiency. 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.

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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated April 4, 2013.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Directors, Tri-County Educational Service Center, and others within the School. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 4, 2013

**BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

SIGNIFICANT DEFICIENCY

BOARD POLICIES AND PROCEDURES

The School Board of Directors has not established the following formal policies/procedures necessary to provide the School with guidance for their operations:

- **Public Records Policy** - Ohio Revised Coded Section 149.43 (E)(1) states "all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under section 109.43 of the Revised Code."
- **Records Retention Policy** - A policy that includes provisions for the application or schedule for destruction of public records, including transmission to the Ohio Historical Society and approval of their destruction by the Auditor of State's Office. This policy should comply with the guidelines established in Ohio Revised Code section 149.41.
- **Travel Reimbursement Policy** - A policy governing travel reimbursements that identifies the types of travel authorized; guidelines for allowable and unallowable expenses; limitations on amount of reimbursement; types of supporting documentation required for reimbursement requests; reporting; monitoring of use by appropriate levels of management; and other guidelines the School deems appropriate. The School may consider included a provision forbidding the accumulation of frequent flyer mileage for officials and employees while traveling on official school business.
- **Prohibited Political Activity Policy** - A policy that prohibits a governing body of a political subdivision from using public funds to publish, distribute, or communicate information that supports or opposes the nomination or election of a candidate for public office, the investigation, prosecution, or recall of a public official, or the passage of a levy or bond issue. In addition, no public funds shall be used to compensate any employee of the political subdivision for time spent on any activity to influence the outcome of an election for any of the purposes described above.
- **Code of Ethics Policy** - A policy that addresses the School's adherence to code of ethics, reporting of deviations from ethical practices and remedial actions as a result of such deviations.
- **Budgetary Policies/Procedures** - Policies/procedures designed to help ensure the School is in compliance with laws and regulations and establishes the controls needed to ensure proper budgeting for the School.
- **Accounting Policies/Procedures** - Policies/procedures designed to help ensure the School is in compliance with laws and regulations governing the School's accounting methods.
- **Related Party Policy** - A policy designed to ensure School officials are abstaining on voting on any activity in which a potential conflict of interest may exist.
- **IT- Security Policy** - A security policy which addresses users' computer access rights and responsibilities and the allowable and unallowable use of School owned/rented computer hardware and software.
- **Disaster Recovery Plan** - A policy which addresses the potential for data loss in lieu of disasters and includes provisions for the recovery of lost data.
- **GAAP Conversion Policy** - A policy which establishes the procedures for compilation and reporting of financial activity on a GAAP-basis which should include strict adherence to reporting laws and regulations.

FINDING NUMBER 2012-001 (Continued)

- **Credit Card Policy** - A policy which governs the use of School-owned credit cards including allowable expenses, receipt retention, proper monitoring of expenses, consequences for misuse, etc.
- **Personal Information Policy** - A policy which governs the storage, use, and distribution of personal information. This policy should comply with the guidelines established in Ohio Revised Code section 1347.
- **School Equipment Policy** - A policy which establishes the allowable use and restrictions related to School-owned equipment.
- **Acceptable Use Policy** - A policy which establishes the acceptable use for computer and internet access by students and personnel of the school.
- **Attendance Policy** - A policy which governs the enrollment, attendance, and withdrawal of students. This policy should comply with the guidelines established in Ohio Revised Code section 3314.03.

By not establishing these policies, the School has not established the necessary controls and procedures needed to govern the day to day activity of the School.

The School's Board of Directors should establish all necessary policies to govern the day to day activities of the School as described above.

Official's Response:

In response to finding 2012-001 of the recent audit conducted for Beacon Hill Community School, please note that the Beacon Hill Community School has adopted a Board policy book. The Policy Book was adopted at our board meeting on September 19, 2012, and is being reviewed in order to comply with all of the requirements set forth by the findings of the FY12 audit. We appreciate the guidance by the auditor's office on developing our board policies and will continue to improve and expand these policies as needed.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

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

1. In our report dated April 4, 2013, we noted the Board adopted an anti-harassment policy on September 19, 2012.
2. We read the policy, noting it does not include the following requirements listed in Ohio Rev. Code 3313.666.
 - (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (2) A requirement to include violence within a dating relationship within its definition of harassment, intimidation and bullying.

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 Tri-County Educational Service Center and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

April 4, 2013



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 9, 2013**