



OHIO AUDITOR OF STATE
KEITH FABER



**BEACON HILL COMMUNITY SCHOOL
WAYNE COUNTY
JUNE 30, 2022**

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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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the Beacon Hill Community School, Wayne County, Ohio (School), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Beacon Hill Community School, Wayne County, Ohio as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 11 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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

May 2, 2023

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022. 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 2022 are as follows:

- In total, net position was a balance of \$136,317 at June 30, 2022.
- The School had operating revenues of \$431,128, operating expenses of \$591,778 and nonoperating revenues of \$193,860 for fiscal year 2022. The total change in net position for the fiscal year was an increase of \$33,210.

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 2022?" 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, 2022

The table below provides a summary of the schools' net position at June 30, 2022 and June 30, 2021.

Net Position

| | <u>2022</u> | <u>2021</u> |
|----------------------------|-------------------|-------------------|
| <u>Assets</u> | | |
| Current assets | \$ 187,600 | \$ 133,550 |
| Total assets | <u>187,600</u> | <u>133,550</u> |
| <u>Liabilities</u> | | |
| Current liabilities | <u>51,283</u> | <u>30,443</u> |
| Total liabilities | <u>51,283</u> | <u>30,443</u> |
| <u>Net Position</u> | | |
| Restricted | 27,924 | 48,757 |
| Unrestricted | <u>108,393</u> | <u>54,350</u> |
| Total net position | <u>\$ 136,317</u> | <u>\$ 103,107</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2022, the Schools' net position was a balance of \$136,317.

Current assets include the schools' checking and savings accounts and receivables related to federal and state grants. Current liabilities include intergovernmental payables due to Tri-County Education Service Center for services provided to the school.

A portion of the schools' net position, \$27,924, represents resources that are subject to external restriction on how they may be used. Unrestricted balance was \$108,393 at fiscal year-end.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The table below shows the changes in net position for fiscal years 2022 and 2021.

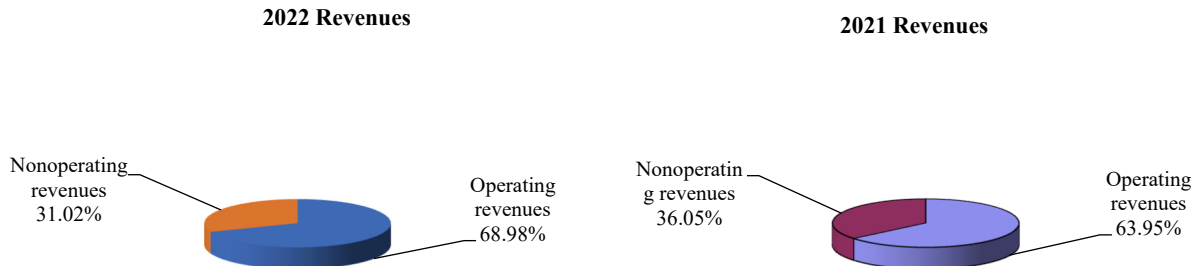
Change in Net Position

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|-------------------|-------------------|
| <u>Operating Revenues:</u> | | |
| State foundation | \$ 398,775 | \$ 355,275 |
| Charges for services | <u>32,353</u> | <u>7,078</u> |
| Total operating revenues | <u>431,128</u> | <u>362,353</u> |
| <u>Operating Expenses:</u> | | |
| Purchased services | 505,404 | 473,833 |
| Materials and supplies | 34,645 | 55,621 |
| Other | <u>51,729</u> | <u>25,879</u> |
| Total operating expenses | <u>591,778</u> | <u>555,333</u> |
| <u>Nonoperating Revenues:</u> | | |
| Grants and subsidies | 186,314 | 201,192 |
| Interest revenue | 31 | 27 |
| Donations and contributions | <u>7,515</u> | <u>3,091</u> |
| Total nonoperating revenues | <u>193,860</u> | <u>204,310</u> |
| Change in net position | 33,210 | 11,330 |
| Net position at beginning of year | <u>103,107</u> | <u>91,777</u> |
| Net position at end of year | <u>\$ 136,317</u> | <u>\$ 103,107</u> |

Fiscal year 2022 was the eleventh 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.

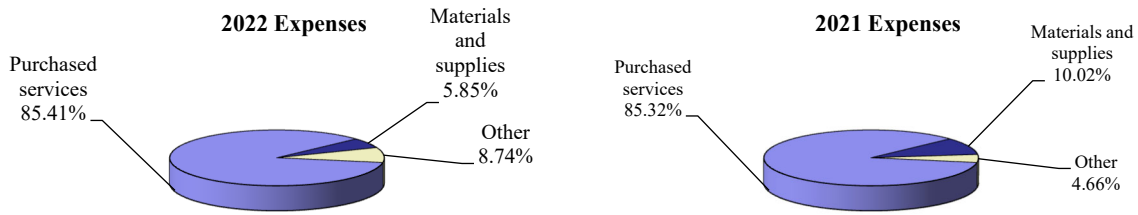
Purchased services are the largest expense to the school. Purchased services expenses primarily include payments made for various services as outlined in Note 10 to the basic financial statements.

The charts below illustrate the revenues and expenses for the school during fiscal years 2022 and 2021.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



Capital Assets

At the end of fiscal year 2022, 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 Mr. Sandy Hadsell, 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, 2022

Assets:

Current assets:

| | | |
|-------------------------------------|----|---------|
| Cash and cash equivalents | \$ | 165,457 |
| Receivables: | | |
| Intergovernmental. | | 22,143 |
| Total assets. | | 187,600 |

Liabilities:

Current liabilities:

| | | |
|-------------------------------------|--|--------|
| Intergovernmental payable | | 51,283 |
| Total liabilities | | 51,283 |

Net position:

Restricted for:

| | | |
|--|----|---------|
| Restricted for state programs. | | 2,309 |
| Federal programs | | 18,095 |
| Other purposes | | 7,520 |
| Unrestricted | | 108,393 |
| Total net position. | \$ | 136,317 |

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, 2022

| | |
|--|--------------------------|
| Operating revenues: | |
| State foundation revenue | \$ 398,775 |
| Sales | <u>32,353</u> |
| Total operating revenues | <u>431,128</u> |
| Operating expenses: | |
| Purchased services. | 505,404 |
| Materials and supplies | 34,645 |
| Other. | <u>51,729</u> |
| Total operating expenses. | <u>591,778</u> |
| Operating loss | <u>(160,650)</u> |
| Non-operating revenues: | |
| Grants and subsidies. | 186,314 |
| Interest revenue | 31 |
| Contributions and donations. | <u>7,515</u> |
| Total nonoperating revenues | <u>193,860</u> |
| Change in net position | 33,210 |
| Net position at beginning of year | <u>103,107</u> |
| Net position at end of year | <u><u>\$ 136,317</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, 2022

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Cash received from State foundation | \$ 398,775 |
| Cash received from sales. | 33,199 |
| Cash payments for contractual services | (483,803) |
| Cash payments for materials and supplies | (35,406) |
| Cash payments for other expenses | (51,729) |
| | <u>(138,964)</u> |
| Net cash used in operating activities | |
| | |
| Cash flows from noncapital financing activities: | |
| Cash received from grants and subsidies. | 209,179 |
| Cash received from contributions and donations | 7,515 |
| | <u>216,694</u> |
| Net cash provided by noncapital financing activities. | |
| | |
| Cash flows from investing activities: | |
| Interest received | 31 |
| | <u>31</u> |
| Net cash provided by investing activities | |
| | |
| Net change in cash and cash equivalents | 77,761 |
| | |
| Cash and cash equivalents at beginning of year | 87,696 |
| Cash and cash equivalents at end of year | \$ <u>165,457</u> |
| | |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (160,650) |
| | |
| Changes in liabilities and deferred inflows: | |
| Change in accounts receivable | 846 |
| Change in accounts payable | (761) |
| Change in intergovernmental payable | 21,601 |
| | <u>(138,964)</u> |
| Net cash used in operating activities | |
| | \$ (138,964) |

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, 2022**

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, 2023.

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 10. 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 49 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, 2022

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, 2022, 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, 2022, 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 2022 school year, excluding all other federal and State grants, totaled \$398,775.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 2022 received was \$186,314.

In addition, the School received \$7,515 in local contributions and donations during fiscal year 2022.

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. During fiscal year 2022, there are no prepayments to record.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2022, the School has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the School.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the School.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the School.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At June 30, 2022, the carrying amount of all School deposits was \$165,457. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2022, the entire bank balance of \$167,812 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Intergovernmental receivables at June 30, 2022 consisted of \$22,143 in grants related to state and federal grant programs. The receivables are expected to be collected in the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - PURCHASED SERVICES

For fiscal year 2022, purchased services expenses were as follows:

| | |
|------------------------------|-------------------|
| Professional services | \$ 429,541 |
| Property rental and services | 66,958 |
| Travel, mileage and meetings | 195 |
| Communications | 5,231 |
| Contracted food services | 12 |
| Other purchased services | <u>3,467</u> |
| Total purchased services | <u>\$ 505,404</u> |

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

| | <u>Balance July 1, 2021</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance June 30, 2022</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> |

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, 2022.

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, 2022.

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. As of the date of this report, additional ODE adjustments for fiscal year 2022 are finalized and resulted in a receivable for the School.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - CONTINGENCIES - (Continued)

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.

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 2022 resulted in a receivable for 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 - 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 2022, the School paid \$11,580 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 2022 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 2022, \$364,198 was paid to the ESC for instructional staff services under the agreement. To obtain the ESC's audited June 30, 2022 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 2022.

For fiscal year 2022, \$19,548 was paid to the COG for internet and technology support services under the agreement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 11 - 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. The impact on the School's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 12 - SUBSEQUENT EVENTS

On August 1st, 2022, Sandy Hadsell was hired as Treasurer of the School.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 2, 2023, wherein we noted the financial impact of COVID-19 and the continuing measures which may impact subsequent periods of the School.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 2, 2023

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 5/23/2023

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