



Dave Yost • Auditor of State

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hardin Community School
Hardin County
1211 W. Lima Street, Suite A
Kenton, Ohio 43326

To the Board of Directors:

We have audited the accompanying basic financial statements of the Hardin Community School, Hardin County (the School), a component unit of the Hardin County Educational Service Center, as of and for the fiscal period ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardin Community School, as of June 30, 2011, and the changes in its financial position and its cash flows for the period 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 February 2, 2012, 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 initial "D".

Dave Yost
Auditor of State

February 2, 2012

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of the Hardin Community School's (the School) financial performance provides an overall view of the School's financial activities for the fiscal period ended June 30, 2011. Please keep in mind the School is in the start-up stages and did not operate for the whole fiscal period. Hardin County Educational Service Center and Lifeworks Center combined their resources to establish the School and a detailed explanation is shown in Note 1.

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

- Total Assets were \$246,355.
- Total Change in Net Assets was \$246,355.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

Reporting the School as a Whole

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the period's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, which appear first in the School's financial statements, report information on the School as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the School's net assets – the difference between assets and liabilities, as reported in the statement of net assets—as one way to measure the School's financial health, or financial position. Over time, increases or decreases in the School's net assets—as reported in the Statement of Net Assets—are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School's operating results. However, the School's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the School.

The Statement of Nets Assets and the Statement of Revenues, Expenses and Changes in Net Assets report the activities for the School, which encompass all of the School's services, including instruction, support services, and community services. Unrestricted state aid and state and federal grants finance most of these activities.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2011?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current period's revenues and expenses regardless of when cash is received or paid.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Table 1 provides a summary of the School's net assets for fiscal period 2011. As this was the initial period of operation, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 1
Net Assets**

	2011
Assets:	
Cash and Cash Equivalents	\$105,567
Intergovernmental Receivable	40,993
Non-Current Assets	99,795
Total Assets	246,355
Net Assets:	
Invested In Capital Assets	99,795
Restricted for Grants	62,490
Unrestricted	84,070
Total Net Assets	\$246,355

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the fiscal period. That is, it identifies the amount of operating expenses supported by State and other funding. Again, since this was the initial fiscal period of operation, a comparative analysis has not been presented.

**Table 2
Change in Net Assets**

	2011
Revenues:	
Operating Revenues:	
Foundation Payments	\$166,506
Total Revenues	166,506
Expenses:	
Operating Expenses:	
Purchased Services	97,136
Materials and Supplies	39,654
Depreciation	17,611
Other Expenses	4,948
Total Expenses	159,349
Non-Operating Revenues (Expenses)	
Federal Operating Grants	239,198
Total Non-Operating Revenues (Expenses)	239,198
Increase/(Decrease) in Net Assets	\$246,355

The School's business-type activities consist of enterprise activity. Community Schools receive no support from tax levies.

The School had total revenues of \$405,704 and total expenses of \$159,399. The change in net assets for the period was an increase of \$246,355.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal period 2011 the School had \$99,795 (net of \$17,611 in accumulated depreciation) invested in furniture, fixtures, and equipment. Presently the School does not have a capitalization policy. Table 3 shows fiscal period 2011 balances:

**Table 3
Capital Asset at June 30,
(Net of Depreciation)**

	2011
Furniture, Fixtures, and Equipment	\$99,795
Totals	\$99,795

Contacting the School's Financial Management

This financial report is designed to provide our citizen's 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 information contact Mandy France, Treasurer of Hardin Community School, step_treas@hardinesc.org or 1211 W Lima St, Suite A, Kenton, Ohio 43326, office phone number 419-674-2288 ext. 411.

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**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

Assets:

Current Assets:

Cash and Cash Equivalents	\$105,567
Intergovernmental Receivable	40,993
Total Current Assets	146,560

Non-current Assets:

Capital Assets, Net of Accumulated Depreciation	99,795
Total Noncurrent Assets	99,795
Total Assets	246,355

Net Assets:

Invested In Capital Assets	99,795
Restricted for Grants	62,490
Unrestricted	84,070
Total Net Assets	\$246,355

See Accompanying Notes to the Basic Financial Statements

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011**

Operating Revenues:	
Foundation Payments	\$166,506
Total Operating Revenues	166,506
Operating Expenses:	
Purchased Services	97,136
Materials and Supplies	39,654
Depreciation	17,611
Other Operating Expenses	4,948
Total Operating Expenses	159,349
Operating Income	7,157
Non-Operating Revenues and Expenses:	
Operating Grants - Federal	239,198
Total Non-Operating Revenues and (Expenses)	239,198
Change in Net Assets	246,355
Net Assets at Beginning of Period	
Net Assets at End of Period	\$246,355

See Accompanying Notes to the Basic Financial Statements

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$166,506
Cash Payments to Suppliers for Goods and Services	(141,738)
Net Cash Used for Operating Activities	24,768

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants - Federal	198,205
Net Cash Provided by Noncapital Financing Activities	198,205

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	(117,406)
Net Cash Used for Capital and Related Financing Activities	(117,406)
Net Increase in Cash and Cash Equivalents	105,567

Cash and Cash Equivalents at Beginning of Period	\$105,567
Cash and Cash Equivalents at End of Period	\$105,567

**Reconciliation of Operating Income
to Net Cash Used for Operating Activities:**

Operating Income	\$7,157
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**Adjustments to Reconcile Operating Loss
to Net Cash Used for Operating Activities:**

Depreciation	17,611
Total Adjustments	17,611
Net Cash Used for Operating Activities	\$24,768

See Accompanying Notes to the Basic Financial Statements

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**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Hardin Community School serves as a non-profit corporation established pursuant to Ohio Revised code Chapters 3314 and 1702. The School is a new charter school in the State of Ohio and is in the start-up stages. The School is an approved tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that occurred that might adversely affect the School's tax-exempt status.

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

The MOU calls for ongoing collaboration to establish a more permanent basis for the above activities and proposed projects. The above organizations have agreed to have an annual review of progress and agreement renewal every four years with quarterly reviews the first year. The MOU also calls for the Aurora Learning System (Learning Springs) where students will receive Carnegie units for courses completed. Diplomas will be issued by the school or by agreed upon arrangement with the student's home school. The MOU established a new treasurer who will coordinate the audit and serve on a per hour cost as needed.

The Sponsor is to provide internet access in exchange for class space, restrooms, lunch/vending area, conferencing space, security features, and utilities. Lifeworks Center will provide faculty and teacher aids for Lifeworks Students. The Sponsor is to provide staff to support educational programming needs for the school. The school is to have a minimum of 25 students. The School will provide a minimum of nine students and Lifeworks Center will provided a minimum of 16 students. The first year of cost sharing is to be in a ratio of 9 School students to 16 Lifeworks students.

The School was approved for operation under a contract with the Sponsor for a period of five years commencing on July 1, 2010 and ending June 30, 2015. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one certificated full-time teaching personnel and one certificated teaching aide who provide services to 14 students.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. 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) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School's accounting policies.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include 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 School on reimbursement basis.

Expenses are recognized at the time they are incurred.

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 Chapter 5705, except under Ohio Revised Code Section 5705.391, the School must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. At this time, the School does not have any investments.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School presently does not have a capitalization policy. The School does not possess 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.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenue

The School currently participates in the State Foundation Basic Aid Program, the Parity Aid Program, and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

The Federal Stabilization and Public Charter School grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eligibility requirements include timing requirements, which specify the fiscal 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 expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

J. Estimates

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

3. DEPOSITS AND INVESTMENTS

At fiscal period end June 30, 2011, the carrying amount of the School's deposits was \$105,567 and the bank balance was \$108,670. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2011, \$108,670 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

School had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

4. RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental receivables from various grants.

Public Charter Schools Program	<u>\$40,993</u>
Total	<u>\$40,993</u>

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal period ended June 30, 2011, was as follows:

	<u>Balance 06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/11</u>
Capital Assets Being Depreciation:				
Furniture, Fixtures, and Equipment		\$117,406		\$117,406
Total Capital Assets				
Being Depreciated		117,406		117,406
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment		(17,611)		(17,611)
Total Accumulated Depreciation		(17,611)		(17,611)
Capital Assets, Net of A/D	\$0	\$ 99,795	\$0	\$ 99,795

6. RISK MANAGEMENT

Property and Liability

Presently, the School is being provided space by Lifeworks Center who is paying the property and liability insurance on their building and property. Currently, there are no property or liability insurance policies for the School.

7. OTHER EMPLOYEE BENEFITS

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

8. MANAGEMENT AGREEMENT

The School entered into a contract, effective July 1, 2010, through June 30, 2015, renewable each year up to five years, with Hardin County Educational Service Center (Sponsor) for educational and financial management services. No expenses were paid to the Sponsor at fiscal period ended June 30, 2011. Terms of the contract require the Sponsor to provide the following:

- A. All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the School.
- B. Implementation and administration of the Educational Program, including the selection of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- C. All personnel functions, including professional development for the School principal, all instructional personnel, and support staff;
- D. All aspects of the business administration of the School;
- E. Transportation and food service for the School

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
(Continued)**

8. MANAGEMENT AGREEMENT (Continued)

- F. A projected annual budget prior to each year.
- G. Detailed statements of all revenues received, from whatever source, and detailed statements of all expenditures for services rendered to or on behalf of the School, whether incurred on-site or off-site, upon request;
- H. Annual audits in compliance with state law and regulations' performances, upon request; and
- I. Reports on School operations, finances, and students' performances, upon request; and
- J. Any Other function necessary or expedient for the administration of the School.

9. PURCHASED SERVICES

For the period July 1, 2010 through June 30, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$97,089
Communications	32
Other Purchases	15
Total Purchased Services	<u>\$97,136</u>

10. RENTAL AGREEMENT

The School entered into a memorandum of agreement with Lifeworks Center and its Sponsor beginning November 1, 2010 through November 1, 2014 with the Sponsor providing internet access in exchange for class space (rent), restrooms, lunch/vending area, conference space, security features, and utilities. Lifeworks provided these for nine months of the 2010-2011 fiscal period with rent and utilities being \$3,099 and \$715 per month respectively. See note 14 for in-kind contributions below.

11. FEDERAL TAX-EXEMPT STATUS

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

12. FISCAL AGENT AND ADMINISTRATIVE SERVICES

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

**HARDIN COMMUNITY SCHOOL
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED JUNE 30, 2011
(Continued)**

13. CONTINGENCIES

A. Grants

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of included herein or on the overall financial position of the School at June 30, 2011.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE has not yet conducted a review of the School's 2011 student enrollment data and FTE calculations. For the fiscal period ended 2011, the School does not anticipate revenue adjustments based on the results of any such review.

14. IN-KIND CONTRIBUTIONS

In Fiscal Period 2011, the School was in the start-up stages and received In-Kind contributions from Lifeworks Center and its Sponsor. Lifeworks Center provided the class space, restrooms, lunch/vending area, conference space, security feature, and utilities for nine months. The Sponsor provided the salaries and benefits for one teacher and one instructional assistant. All In-kind contributions totaled \$80,045. Below are the amounts contributed to the School by Lifeworks Center and its Sponsor.

In-Kind Contributions	
Lifeworks Center	
Rent	\$27,894
Utilities	6,432
Total	<u>\$34,326</u>
Hardin County Educational Service Center	
Salaries	\$35,350
Benefits	8,556
Supplies	1,243
Training	570
	<u>\$45,719</u>
Total In-Kind	<u><u>\$80,045</u></u>

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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*

Hardin Community School
Hardin County
1211 West Lima St., Suite A
Kenton, Ohio 43326

To the Board of Directors:

We have audited the financial statements of the Hardin Community School, Hardin County, (the School) as of and for the fiscal period ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 2, 2012. 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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.

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 February 2, 2012.

Hardin Community School
Hardin County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
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We intend this report solely for the information and use of management, Board of Directors, the Community School's sponsor, and others within the School. We intend it for no one 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

February 2, 2012



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Hardin Community School
Hardin County
1211 West Lima St., Suite A
Kenton, Ohio 43326

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

1. We noted on October 25, 2011, the School adopted the anti-harassment policy of the Hardin County Educational Service Center (Center). The Center amended its anti-harassment policy at its meeting on November 11, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or 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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 2, 2012

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Dave Yost • Auditor of State

HARDIN COMMUNITY SCHOOL

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 15, 2012