



Dave Yost • Auditor of State

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Auglaize Educational Academy
Auglaize County
1045 Dearbaugh Avenue
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the accompanying financial statements of Auglaize Educational Academy, Auglaize County, Ohio (AEA), as of and for the fiscal year ended June 30, 2012, which collectively comprise the AEA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the AEA'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.

Ohio Administrative Code § 117-2-03 (B) requires the AEA to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of Auglaize Educational Academy, Auglaize County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof, for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the AEA'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.

We conducted our audit to opine on the AEA's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets and changes in net assets. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

January 8, 2013

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of Auglaize County Educational Academy's (AEA) financial performance provides an overall review of AEA's financial activities for the fiscal year ended June 30, 2012, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of AEA's financial performance.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to AEA's cash basis of accounting.

AEA has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under AEA's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Table 1 provides a summary of AEA's net assets for fiscal year 2012 and fiscal year 2011:

Table 1			
Net Assets			
	2012	2010	Change
Assets:			
Current Assets	\$578,204	\$557,174	\$21,030
Total Net Assets	\$578,204	\$557,174	\$21,030

Net assets increased by \$21,030, or 4 percent. During fiscal year 2012, the AEA received more State funding than the prior fiscal year and not all resources received were spent during the fiscal year.

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

Table 2			
Change in Net Assets			
	2012	2011	Change
Operating Receipts:			
Charges for Services	\$12,975	\$12,458	\$517
Foundation	694,644	510,680	183,964
Miscellaneous Receipts	10,472	330	10,142
Total Operating Receipts	718,091	523,468	194,623
Non-Operating Receipts:			
Interest	640	1,466	(826)
Grants	2,200	186,643	(184,443)
Total Non-Operating Receipts	2,840	188,109	(185,269)
Total Receipts	720,931	711,577	9,354

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	2012	2011	Change
Operating Disbursements:			
Purchased Services	633,249	757,415	124,166
Materials and Supplies	32,775	45,919	13,144
Other Disbursements	33,877	1,536	(32,341)
Total Disbursements	699,901	804,870	104,969
Increase (Decrease) in Net Assets	21,030	(93,293)	114,323
Net Assets at Beginning of Year	557,174	650,467	(93,293)
Net Assets at End of Year	\$578,204	\$557,174	\$21,030

Foundation receipts increased 36 percent from an increase in overall enrollment. Grants decreased significantly in fiscal year 2012. In fiscal year 2011, AEA used remaining balances of available grants from fiscal year 2010 to cover allowable costs.

Disbursements decreased significantly. Purchased services decreased from the reduction of services provided for occupational therapy and speech services. Materials and supplies were significantly less from the purchase of textbooks in the prior fiscal year to cover the courses offered in fiscal year 2012. The AEA purchased laptops in fiscal year 2012.

Budgeting

AEA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Current Issues

AEA has continued to provide training to participating school districts on the services available through AEA.

Contacting AEA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of AEA's finances and to reflect AEA's accountability for the monies it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to Kristy L. Weaks, Treasurer, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
CASH BASIS
JUNE 30, 2012.**

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$578,204</u>
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Net Assets:

Unrestricted	<u>\$578,204</u>
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See Accompanying Notes to the Basic Financial Statements.

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGE IN NET ASSETS
CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Operating Receipts:	
Charges for Services	\$12,975
Foundation	694,644
Miscellaneous Receipts	10,472
Total Operating Receipts	<u>718,091</u>
Operating Disbursements:	
Purchased Services	633,249
Materials and Supplies	32,775
Other Disbursements	33,877
Total Operating Disbursements	<u>699,901</u>
Operating Income	<u>18,190</u>
Non-Operating Receipts:	
Interest	640
Grants	2,200
Total Non-Operating Receipts	<u>2,840</u>
Change in Net Assets	21,030
Net Assets at Beginning of Year	<u>557,174</u>
Net Assets at End of Year	<u><u>\$578,204</u></u>

See Accompanying Notes to the Basic Financial Statements.

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL

Auglaize County Educational Academy (AEA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. AEA's objective is to provide education opportunities through a virtual curriculum for students in kindergarten through twelfth grade. AEA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. AEA may acquire facilities as needed and contract for any services necessary for the operation of the school.

AEA was approved for operation under a contract with the Auglaize County Educational Service Center for a five-year period commencing on the first day of the 2003 academic year. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008. Auglaize County Educational Service Center is responsible for evaluating the performance of AEA and has the authority to deny renewal of their contract at its expiration. Auglaize County Educational Service Center is also the fiscal agent of AEA with the Treasurer of the Auglaize County Educational Service Center performing the role of Treasurer for AEA.

AEA operates under the direction of a six-member Board of Directors made up of the Superintendents from the participating school districts. Auglaize County Educational Service Center does not make up a majority of the Board and cannot impose its will on AEA; therefore, AEA is not a component unit of the Auglaize County Educational Service Center. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2012, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of AEA's accounting policies.

A. Basis of Presentation

AEA's basic financial statements consist of a statement of net assets and a statement of receipts, disbursements, and change in net assets.

AEA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net assets, and financial position. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

AEA's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in AEA's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by AEA's contract with its Sponsor. The contract between AEA and its Sponsor does prescribe an annual budget requirement.

D. Cash and Cash Equivalents

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2012, the AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

E. Net 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. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

F. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of AEA. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of AEA. All receipts and disbursements not meeting this definition are reported as non-operating.

3. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, none of AEA's bank balance of \$670,085 was exposed to custodial credit risk. AEA has no deposit policy for custodial credit risk.

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. RISK MANAGEMENT

AEA 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. During fiscal year 2012, AEA had the following insurance coverage provided through the Auglaize County Educational Service Center:

Coverage provided by the Schools of Ohio Risk Sharing Authority is as follows:

General Liability	
Occurrence	\$12,000,000
Aggregate	14,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

5. FISCAL AGENT

The agreement with the Auglaize County Educational Service Center states the Treasurer of the Auglaize County Educational Service Center shall serve as the treasurer of AEA. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of AEA:

- A. Maintain the financial records of AEA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- B. Comply with the policies and procedures regarding internal financial control of AEA;
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

6. RELATED PARTY TRANSACTIONS

In fiscal year 2012, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$492,933. The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries	\$325,128
Fringe Benefits	112,211
Purchased Services	48,459
Materials and Supplies	2,772
Capital Outlay	2,303
Other	2,060
Total	<u>\$492,933</u>

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. CONTINGENCIES

A. Grants

AEA 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 is 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 AEA at June 30, 2012.

B. Litigation

There are currently no matters in litigation with the AEA as a defendant.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community 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 conclusions of the review resulted in no adjustments to State funding for AEA.



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

Auglaize Educational Academy
Auglaize County
1045 Dearbaugh Avenue
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the financial statements of Auglaize Educational Academy, Auglaize County, (AEA) as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated January 8, 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 AEA'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 AEA's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the AEA'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 AEA'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 AEA'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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

Auglaize Educational Academy
Auglaize County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Board of Directors, AEA's sponsor, and others within the AEA. 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

January 8, 2013

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE 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 2012-01

Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin Code Section 117-2-03 (B) requires all school districts, including community schools, to prepare its annual financial report in accordance with generally accepted accounting principles. The AEA prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the AEA may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The AEA should prepare the annual financial statements according to generally accepted accounting principles to provide the users with more meaningful financial statements.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the finding reported above.

**AUGLAIZE EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – failed to prepare financial statements in accordance with GAAP.	No	Repeated as Finding 2012-01



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AUGLAIZE EDUCATIONAL ACADEMY

AUGLAIZE 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
FEBRUARY 12, 2013**