



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MIAMISBURG SECONDARY ACADEMY  
MONTGOMERY COUNTY  
AUGUST 2, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Miamisburg Secondary Academy  
Montgomery County  
Miamisburg City School District, Sponsor  
540 East Park Avenue  
Miamisburg, Ohio 45342

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Miamisburg Secondary Academy, Montgomery County, Ohio (the Academy), a component unit of Miamisburg City School District, as of and for the period of July 1, 2017 through August 2, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Miamisburg Secondary Academy, Montgomery County as of August 2, 2018, and the changes in its financial position and its cash flows for the period then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 16 to the financial statements, during the period ended August 2, 2018, the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. We did not modify our opinion regarding this matter. In addition, as discussed in Note 18 to the financial statements, the Academy closed effective August 2, 2018.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2019, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 15, 2019

# **MIAMISBURG SECONDARY ACADEMY**

## **Montgomery County, Ohio**

### **Management's Discussion and Analysis**

**For the Period Ended August 2, 2018**

**(Unaudited)**

The discussion and analysis of the Miamisburg Secondary Academy, Montgomery County, Ohio (the Academy) financial performance provides an overall review of the Academy's financial activities for the year ended August 2, 2018. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

### **Financial Highlights**

- Net position decreased by \$171,867 in fiscal year 2018 due to the Academy closing on August 2, 2018 and reporting a special item for the balance required to be returned to the Ohio Department of Education.
- The Academy derived over 99 percent of their revenues through federal and state programs.
- Purchased services accounted for 99 percent of the \$409,640 in operating expenses for fiscal year 2018 as the Academy outsources the personnel costs to Miamisburg City Schools.
- A negative special item of \$111,234 representing costs directly related to the closing of the Academy is presented. Any cash balances remaining after the collection of all receivables and the payment of all liabilities will be returned to the Ohio Department of Education (ODE). ODE will then distribute the balance among the public school districts that had students enrolled in the Academy. This payment to ODE is included in the special item. This special item also includes capital assets sold or disposed of through the community school closure process as set by ODE.

### **Using this Annual Financial Report and Overview of Financial Statements**

This annual report consists of three components: the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Academy's net position changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the Academy's cash and how it changed during the most recent fiscal year.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County, Ohio**  
Management's Discussion and Analysis  
For the Period Ended August 2, 2018  
(Unaudited)

Table 1 provides a summary of the Academy's net position for July 1, 2017 to August 2, 2018 period compared to fiscal year 2017.

<b>Table 1</b>			
<b>Net Position</b>			
	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Assets</b>			
Current assets	\$167,050	\$193,402	(\$26,352)
Capital assets, net	0	4,506	(4,506)
<i>Total assets</i>	167,050	197,908	(30,858)
<b>Liabilities</b>			
Current liabilities	167,050	26,041	141,009
<b>Net Position</b>			
Net investment in capital assets	0	4,506	(4,506)
Unrestricted	0	167,361	(167,361)
<i>Total net position</i>	0	\$171,867	(\$171,867)

The Academy saw assets (mainly cash) decrease as the Academy saw revenues decrease \$139,552 from the prior year and the Academy's assets were removed from books due to the Academy's closure process. The accounts payable increased based on the final 2018 foundation calculation that resulted in the Academy owing \$30,207 back to the Ohio Department of Education as well as the \$107,232 due back to the Ohio Department of Education as part of the closing process.



**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County, Ohio**  
Management's Discussion and Analysis  
For the Period Ended August 2, 2018  
(Unaudited)

Table 2 shows the change in net position for fiscal year 2017 compared to the current period.

**Table 2**  
**Change in Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Revenues</b>			
Operating revenues:			
Foundation payments	\$309,472	\$420,914	(\$111,442)
Other operating revenues	12	494	(482)
Non-operating revenues:			
Federal and state grants	39,136	66,788	(27,652)
Interest	387	363	24
Total revenues	<u>349,007</u>	<u>488,559</u>	<u>(139,552)</u>
<b>Expenses</b>			
Operating expenses:			
Purchased services	405,611	429,966	(24,355)
Materials and supplies	3,525	33,035	(29,510)
Depreciation	504	504	0
Other	0	421	(421)
Total Expenses	<u>409,640</u>	<u>463,926</u>	<u>(54,286)</u>
Special Item	<u>(111,234)</u>	<u>0</u>	<u>(111,234)</u>
Change in Net Position	<u>(171,867)</u>	<u>24,633</u>	<u>(\$196,500)</u>
Beginning Net Position	<u>171,867</u>	<u>147,234</u>	
Ending Net Position	<u>\$0</u>	<u>\$171,867</u>	

The Academy saw revenues decrease from 2017 to 2018 as the enrollment dropped from 60 to 47 between the years. The largest expense changes from 2017 to 2018 is in materials and supplies and purchase services as the Academy paid less for student materials and to the Miamisburg City School District as the services they provided were less with the smaller student population. The Academy reports a special item as there is a significant balance remaining after all liabilities are paid, receivables are received, and assets are disposed that will be returned to the Ohio Department of Education.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County, Ohio**  
Management's Discussion and Analysis  
For the Period Ended August 2, 2018  
(Unaudited)

**Capital Assets**

At August 2, 2018, the Academy had \$0 invested in furniture and equipment as a result of the Academy closing and disposing of capital assets. Table 3 shows the August 2, 2018 balances compared to fiscal year 2017:

Table 3  
Capital Assets at June 30 (net)

	2018	2017	Change
Furniture and Equipment	\$0	\$157,631	(\$157,631)
Depreciation:			
Furniture and Equipment	0	(153,125)	153,125
Totals	\$0	\$4,506	(\$4,506)

For more information on the Academy's capital assets refer to Note 5 of the notes to the financial statements.

**Debt**

At August 2, 2018, the Academy had no outstanding debt.

**Current Financial Issues**

The Academy closed operations on August 2, 2018 and the remaining cash balance after collection of all receivables and payment of all liabilities is required to be returned to the Ohio Department of Education (ODE) according to ODE closing procedures.

**Contacting the Academy's Financial Management**

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact the Tina Hageman, Treasurer, at Miamisburg Secondary Academy, 540 East Park Avenue, Miamisburg, Ohio 45342, or by calling (937) 866-3381.

**MIAMISBURG SECONDARY ACADEMY  
MONTGOMERY COUNTY, OHIO  
STATEMENT OF NET POSITION**

**AS OF AUGUST 2, 2018**

**Assets:**

Current assets:

Cash and cash equivalents	\$ 165,649
Intergovernmental receivable	<u>1,401</u>

<b>Total Assets</b>	<u>167,050</u>
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**Liabilities:**

Current liabilities

Accounts payable	1,809
Intergovernmental payable	<u>165,241</u>

<b>Total Liabilities</b>	<u>167,050</u>
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<b>Total Net Position</b>	<u><u>\$ -</u></u>
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See accompanying notes to the basic financial statements

**MIAMISBURG SECONDARY ACADEMY  
MONTGOMERY COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the Period ending August 2, 2018**

<b>Operating Revenues:</b>	
Foundation payments	309,472
Other operating revenues	<u>12</u>
<b>Total operating revenues</b>	<u>309,484</u>
<b>Operating Expenses:</b>	
Purchased services	405,611
Materials and supplies	3,525
Depreciation	504
<b>Total operating expenses</b>	<u>409,640</u>
Operating Loss	<u>(100,156)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal and state grants	39,136
Interest	<u>387</u>
<b>Total non-operating revenues (expenses)</b>	<u>39,523</u>
Special Item	(111,234)
<b>Change in net position</b>	(171,867)
Net position at beginning of year	<u>171,867</u>
Net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

**MIAMISBURG SECONDARY ACADEMY  
MONTGOMERY COUNTY, OHIO  
STATEMENT OF CASH FLOWS**

**For the Period ending August 2, 2018**

**Increase (Decrease) in cash and cash equivalents**

**Cash flows from operating activities:**

Cash received from State of Ohio - Foundation	\$ 359,029
Cash received from other operating revenues	12
Cash payments for contract services	(410,291)
Cash payments for supplies and materials	<u>(16,025)</u>
Net cash used for operating activities	<u>(67,275)</u>

**Cash flows from noncapital financing activities:**

Cash received from state and federal grants	<u>40,515</u>
Net cash provided by noncapital financing activities	<u>40,515</u>

**Cash flows from investing activities:**

Investment income	<u>386</u>
Net cash provided by investing activities	<u>386</u>

Net change in cash and cash equivalents	(26,374)
Cash and Cash Equivalents at beginning of year	<u>192,023</u>
Cash and Cash Equivalents at end of year	<u><u>165,649</u></u>

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(100,156)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	504
Change in assets and liabilities:	
Increase in intergovernmental receivable	(1,401)
Decrease in accounts payable	(12,347)
Increase in intergovernmental payable	<u>46,125</u>
Net cash used for operating activities	<u><u>\$ (67,275)</u></u>

See accompanying notes to the basic financial statements

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**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**1. DESCRIPTION OF THE REPORTING ENTITY**

Miamisburg Secondary Academy Community School (the "Academy") is a non-profit corporation established pursuant to Ohio Revised Code chapters 1702 and 3314 to address the growing need for a comprehensive educational program delivered to students in the 7-12 population primarily through distance learning technologies and computer based classroom curriculum. The comprehensive educational program will address special problems of disabled students, students removed from Academy for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including some home-schooled students, who are not currently enrolled in any public Academy and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The Academy 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 Academy's tax-exempt status.

The Academy was approved for operations under contract with the Miamisburg City School District (the Sponsor) for a period of five years commencing April 28, 2005, renewed on May 20, 2010 for an additional five year period through June 30, 2015 and renewed again on April 16, 2015 for an additional five year period through June 30, 2020. The Academy accepted students beginning August 23, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Sponsor and Academy agreed to cease operations on August 2, 2018. The Academy falls under the guidelines of *GASB No. 69 "Government Combinations and Disposals of Government Operations."* See Note 16 for further detail on the impact of the implementation of GASB Statement No. 69.

The Academy operates under the direction of a five-member Board of Directors. The Board of Directors 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 Academy is a component unit of Miamisburg City School District. The Academy has developed a cooperative agreement with the Miamisburg City School District. See Note 15 for further detail on the service agreement.

The Board of Directors has entered into a one year service contract with Metropolitan Educational Technology Association (META) to provide instructional, administrative, and technical services required for the operation of the Academy (See Note 8). The Board of Directors has entered into a 30 year service contract with Miamisburg City School District to provide planning, instructional, administrative, and technical services required for the operation of the Academy (See Note 10).

The Academy is associated with the Metropolitan Educational Technology Association (META), which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. META is presented in Note 14 to the basic financial statements.

The Academy is a component unit of Miamisburg City School District.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Academy 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.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (except Ohio Revised Code Section 5705.391 which requires a 5 year projection), unless specifically provided in the Academy's contract with its Sponsor or otherwise adopted by the Board of Directors. The contract states that the Academy will follow the operating procedures recommended by the Auditor of State, including those related to regular presentation, review, discussion, and approval or rejection of the budget and reports of current and encumbered expenses.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Investments**

All monies received by the Academy are accounted for by the Academy's treasurer. All cash received is maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash into separate funds.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars.

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.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5

**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program. The amount of foundation revenue is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. Revenues from the foundation programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.



**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under the foundation program and grants for the period ended August 2, 2018 totaled \$348,608.

**G. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the Academy's primary activities. For the Academy, these revenues are primarily the State Foundation program and specific charges to the students or users of the Academy. Operating expenses are necessary costs incurred to provide the good or service that are the primary activities of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**J. Special Item**

Special items are transactions or events that are within the control of the Academy or the Sponsor and that are either unusual in nature or infrequent in occurrence. For fiscal year 2018, the Academy is reporting a special item representing costs directly related to the closing of the Academy. See Note 18 for further information.

**3. DEPOSITS AND INVESTMENTS**

At August 2, 2018, the carrying amount of the Academy's deposits was \$165,649 and the bank balance was \$165,649. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC).

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**3. DEPOSITS AND INVESTMENTS (continued)**

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are covered by the FDIC.

The Academy 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 the Academy 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, 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 secured.

**4. RECEIVABLES**

Receivables at August 2, 2018, consist of \$1,401 intergovernmental receivable for Casino Tax Revenue which was earned but not received as of August 2, 2018.

**5. CAPITAL ASSETS**

Capital asset activity for the period ending August 2, 2018 was as follows:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Closure Deductions</u>	<u>Balance 8/02/18</u>
Capital Assets Being Depreciated Furniture and Equipment	\$157,631	\$0	\$0	(\$157,631)	\$0
Less Accumulated Depreciation Furniture and Equipment	(153,125)	(504)	0	153,629	0
Capital Assets, Net	<u>\$4,506</u>	<u>(\$504)</u>	<u>\$0</u>	<u>(\$4,002)</u>	<u>\$0</u>

**6. DEBT**

The Academy has no debt outstanding at August 2, 2018.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**7. RISK MANAGEMENT**

The Academy 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 2018, the Academy contracted with Liberty Mutual Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$182,067,741 for property with a \$10,000 deductible. The Liberty Mutual Insurance Company also covers auto insurance for actual cash value with a \$500 deductible. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit and a \$5,000,000 umbrella.

Settled claims have not exceeded commercial coverage for the past three years. There has been no significant reduction in insurance coverage from the prior fiscal year.

**8. CONTRACT WITH METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION (META) SOLUTIONS**

The Academy entered into a one year contract on May 11, 2017 for fiscal year 2018 with META Solutions (META). Under the contract, the following terms were agreed upon.

- META shall provide the Academy with instructional, supervisory/administrative; and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of META under the agreement shall be employees of META and META shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by META to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- Curricular services provided by META shall be limited to the standardized curriculum developed by META.
- The Academy shall pay META a base cost of \$3,000 per full-time high Academy student. However, the Academy has elected to not receive some services from META included in the base cost per student. As a result, the Academy pays \$300 per full-time high school student. Part-time students may be enrolled on such terms as are agreed to by the parties.

In fiscal years 2018, 2017 and 2016, the Academy paid META \$4,010, \$7,594 and \$19,299, respectively.

To obtain META's audited financial statements for the fiscal year ended June 30, 2018, please contact META Solutions, 100 Executive Drive, Marion, Ohio 43302.

# MIAMISBURG SECONDARY ACADEMY

## Montgomery County

### Notes to the Basic Financial Statements

For the Period July 1, 2017 to August 2, 2018

#### 9. RELATED PARTY TRANSACTIONS

Miamisburg City School District (Sponsor) provides planning, instructional, administrative, and technical services required for the operation of the Academy.

Total payments made to the Miamisburg City School District equaled \$352,589 for the use of facilities and personnel. See Note 10 for details.

#### 10. CONTRACT WITH MIAMISBURG CITY SCHOOL DISTRICT

Miamisburg City School District shall provide the Academy with education and meeting space, instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.

All personnel providing services to the Academy on behalf of Miamisburg City School District under the agreement shall be employees of Miamisburg City Schools and Miamisburg City Schools shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.

The technical services provided by Miamisburg City School District to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operations.

In fiscal years 2018, 2017, and 2016, the Academy paid Miamisburg City School District \$352,589, \$379,157, and \$721,978 respectively.

To obtain Miamisburg City School District's audited financial statements for the period ending June 30, 2018; please contact Tina Hageman, Treasurer, at [thageman@miamisburg.k12.oh.us](mailto:thageman@miamisburg.k12.oh.us).

#### 11. CONTINGENCIES

##### A. Grants

The Academy 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 of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at August 2, 2018.

##### B. Academy Foundation

Academy 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 the Academy, which can extend past the fiscal year end.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**11. CONTINGENCIES (continued)**

Under Ohio Rev. Code Section 3314.08, ODE may also perform an FTE review subsequent to the fiscal year end 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. ODE performed such a review for fiscal year 2018 and determined the Academy was overpaid by \$30,207. This amount is included in the calculation for the special item – disposal of operations.

**12. FISCAL AGENT**

The Academy utilizes the services of Miamisburg City School District as its fiscal officer. The Academy paid \$16,000 for treasurer services during the fiscal year.

**13. PURCHASED SERVICES**

For the period July 1, 2017 through August 2 2018, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$340,993
Property Services	55,600
Travel and Meetings	4,245
Utilities	3,833
Total Purchased Services	\$405,611

**14. JOINTLY GOVERNED ORGANIZATION**

*Metropolitan Educational Technology Association* – Metropolitan Education Technology Association (META), which is a computer consortium, is an educational solutions partner providing services across Ohio. META provides cost effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice-president and six board members who represent the members of META. The board works with META’s Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The board exercises total control over the operation of the Association including budgeting, appropriating, contracting, and designating management. Each member’s degree of control is limited to its representation on the Board. The Academy paid META \$4,010 for services provided during the fiscal year.

Financial information can be obtained from David Varda, who serves as the Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**15. SERVICE CONTRACT**

The Miamisburg City School District and the Academy have entered into a service contract agreement. This agreement states that the Academy will contract for educational services from the Miamisburg City School District Board of Education and reimburse the Board of Education for these services.

The Miamisburg City School District agreed to provide the requested services and receive reimbursement from the Academy pursuant to Ohio Revised Code Section 3317.11 as follows:

1. Services for the Dropout Prevention and Credit Recovery Program
2. Fiscal Services
3. Secretary/Receptionist Services
4. Academy Director Services
5. Information Technology Services including but not limited to internet connectivity and software/hardware assistance and troubleshooting
6. Student services including E.M.I.S., Nursing, Speech, Guidance and Therapy
7. Classroom space and administrative services
8. Custodial Services

The Miamisburg Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Miamisburg City School District. Other services may be provided based on mutual consent of both the Academy and the Miamisburg City School District.

**16. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2018, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

GASB Statement No. 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense.

Neither of GASB 75 nor GASB 85 standards had an impact on the financial statements of the Academy as the Academy does not have employees.

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**16. CHANGE IN ACCOUNTING PRINCIPLES (continued)**

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The implementation of this statement did not result in any change to net position as previously stated but it incorporated in the accompanying financial statements as it relates to the closing of the Academy.

**17. LEASES**

On April 16, 2015 the Academy entered into a lease agreement with Miamisburg City School District for classrooms and Academy offices located at 540 East Park Avenue, Miamisburg Ohio 45342. The lease period of the classrooms and Academy offices runs from April 16, 2015 through June 30, 2045. During fiscal year 2018, the Academy made \$55,600 in lease payments. The lease was terminated on August 2, 2018 as part of the closing process. No payments were made during fiscal year 2019 before the agreement was terminated.

**18. SPECIAL ITEM – CLOSURE OF ACADEMY/DISPOSAL OF OPERATIONS**

On August 2, 2018, the Miamisburg City School District decided to terminate its sponsorship of the Miamisburg Secondary Academy and file closure paperwork with the Ohio Department of Education. The Miamisburg City School District realized with the additional reporting requirements and requirements placed on digital schools along with the decreased enrollment that keeping the Academy open was not feasible for fiscal year 2019.

The Academy is reporting a special item representing costs directly related to the closure. This amount includes the remaining cash balances which will be returned to the Ohio Department of Education (ODE) after the collection of all receivables and the payment of all liabilities according to the ODE closing procedures. ODE will allocate the remaining balance among all public schools with students enrolled in the Academy. This amount is included in the intergovernmental payable on the Statement of Net Position. Also, due to the closure, unspent State and Federal grant money will be returned to the grantor. Capital assets no longer being used were sold, disposed of, or donated in accordance with the community school closure process set by ODE. A summary of the principal items included as a special item on the Statement of Revenues, Expenses and Change in Net Position follows:

	Amounts
Loss on Disposal of Capital Assets	\$4,002
Money Returned to ODE	107,232
Total Special Item	\$111,234

**MIAMISBURG SECONDARY ACADEMY**  
**Montgomery County**  
Notes to the Basic Financial Statements  
For the Period July 1, 2017 to August 2, 2018

**19. CLOSEOUT PROCEDURES**

The Academy is required to complete closeout procedures as required by the Ohio Department of Education (ODE). As of the date of this report, the Academy has not completed the following procedures:

- Send all or the remaining portion of funds to the ODE Office of Budget and School Funding for all dispositions.
- Notify the Secretary of State's Office
- Notify the Internal Revenue Service



# OHIO AUDITOR OF STATE KEITH FABER



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

Miamisburg Secondary Academy  
Montgomery County  
Miamisburg City School District, Sponsor  
540 East Park Avenue  
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Miamisburg Secondary Academy, Montgomery County, (the Academy), a component unit of Miamisburg City School District, as of and for the period of July 1, 2017 through August 2, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 15, 2019, wherein we noted the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and the Academy closed effective August 2, 2018.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Academy'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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Academy's Response to Finding***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 15, 2019

**MIAMISBURG SECONDARY ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
AUGUST 2, 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Academy prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Academy's annual financial report contained the following errors that were determined to be material to the financial statements and have been adjusted:

- State foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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. The School accrued an Intergovernmental Payable based on the results of the fiscal year 2018 enrollment adjustments; however, the payable was posted as an Operating Expense rather than a reduction of Operating Revenue. As a result, Operating Revenue: Foundation Payments and Operating Expenses: Materials and Supplies were overstated by \$30,207.
- The Academy improperly classified a receipt for Casino Tax received after the financial statement date as Non-Operating Revenue and an offsetting Non-Operating Expense. As a result, Operating Revenue: Foundation Payments and Intergovernmental Receivable were understated and Non-Operating Revenue: Federal and State Grants and Non-Operating Expense: Loss on Disposal of Operations were overstated by \$1,401.
- The Academy received State Foundation funding in July 2018 for the 2018-2019 school year. The Academy closed prior to the start of the 2018-2019 school year therefore the Foundation funding was required to be repaid to ODE. The repayment was made after the financial statement date; however, the Academy did not accrue a payable for the repayment due to ODE at August 2, 2018. As a result, Intergovernmental Payable was understated and Operating Revenue: Foundation Payments was overstated by \$27,802.
- The Academy did not properly calculate the transactions during the stub period of July 1, 2018 - August 2, 2018 to be added to the fiscal year 2018 activity for financial reporting purposes. As a result, Operating Revenue: Foundation Payments and Cash were understated by \$27,802 and \$64,929, respectively, and Operating Expense: Purchased Services, Operating Expense: Materials and Supplies, Operating Expense: Other Operating Expenses, Non-Operating Revenue: Interest, and Accounts Payable were overstated by \$4,588, \$575, \$35,360, \$40, and \$3,356, respectively.
- The Academy did not properly calculate receivables and payables as of the financial statement date. As a result, Operating Expense: Purchased Services and Accounts Payable were understated by \$1,809.

**FINDING NUMBER 2018-001  
(Continued)**

- The Academy did not properly calculate the impact of the implementation of GASB 69 on their financial statements. As a result, Loss on Disposal of Operations and Depreciable Capital Assets were overstated by \$100,720 and \$4,002, respectively, and Cash, Special Item, and Intergovernmental Payable were understated by \$100,720, \$111,234, and \$107,232, respectively.
- The Academy did not properly calculate the cash transactions on their Statement of Cash Flows due to the cash impact of errors noted above. As a result, Net Cash Used for Operating Activities was understated by \$64,970, Net Cash Used for Noncapital Financing Activities was understated by \$100,720, and Net Cash Provided by Investing Activities was overstated by \$41.

The Academy should have implemented procedures to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could have resulted in the users of the financial statements basing their conclusions on materially misstated financial data.

**Officials' Response**

It has always been our practice to provide accurate and complete financial reports for our stakeholders and community. We will continue to strive for improvement and will take additional measures to ensure that we accomplish this task as we have done in the past.

The Academy is no longer operational as of August 2, 2018 and we have been working diligently to comply with all the requirements for reporting and closing; however, this journey has not been an easy one to navigate as many requirements have significantly changed from prior years and prior closures.

We have reviewed the adjustments with the Auditor.



# MIAMISBURG SECONDARY ACADEMY

540 E. Park Ave  
Telephone: 937-866-0771

Miamisburg, Ohio 45342  
FAX: 937-865-5267

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS August 2, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Weakness – Financial Statement Errors	Repeated as finding 2018-001	Academy closed on 8/2/2018 and we reviewed the adjustments with the Auditor and prior year items have been adjusted and corrected.
2017-002	Noncompliance and Material Weakness – Tracking of Students and Duration for Blended Program	Corrected	
2017-003	Noncompliance and Significant Deficiency – Timeliness of Student Withdrawals and Documentation of Excused Absences	Corrected	
2017-004	Significant Deficiency – Payments to Sponsor	Corrected	

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# OHIO AUDITOR OF STATE KEITH FABER



**MIAMISBURG SECONDARY ACADEMY**

**MONTGOMERY COUNTY**

### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 9, 2019**