



Mary Taylor, CPA
Auditor of State

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Miamisburg Secondary Digital Academy Community School
Montgomery County
540 E Park Ave
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Miamisburg Secondary Digital Academy Community School, Montgomery County, (the Academy) as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Academy'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 that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the Academy 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 accompanying financial statements referred to above do present fairly, in all material respects, the respective cash financial position of the business-type activities of the Miamisburg Secondary Digital Academy Community School, Montgomery County, as of June 30, 2006, and the respective changes in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2006, the Academy revised its financial presentation comparable to the requirements of Governmental Accounting Standard No 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2007, 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. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 5, 2007

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of Miamisburg Secondary Digital Academy Community School's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2006, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance. The Academy received its charter from The Miamisburg City School District (the Sponsor) for a period of five years commencing April 28, 2005. However, we are only presenting data for the first full year of operations starting in fiscal year 2006.

Financial Highlights

Key highlights for fiscal year 2006 are as follows:

Total net assets increased by \$101,405 or 197% from the prior fiscal year. Total net assets were \$152,918 in fiscal year 2006. The Academy's general receipts, those being state foundation payments were \$359,772 or 67.75% of the total cash received during the fiscal year. Dependence on this revenue source is significant.

Using this Annual Report

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

The Academy has elected to present its basic 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 revenues, expenses, and the related assets and liabilities. Under the Academy's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

The statement of net assets provides information about the cash balances of the whole Academy. The Statement of Revenues, Disbursements and Changes in Net Assets – Cash Basis, provide information about the cash activities of the Academy in a greater level of detail.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as Accounts Receivables) and certain liabilities and their related disbursements (such as Accounts Payable) are not reported in these basic 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 cash basis accounting.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanations and details regarding the information reported in the statements.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The Academy as a Whole

Table 1 provides a summary of the Academy's net assets for fiscal year 2006. Since this is the first full year of operations for the Academy, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

Table 1 Net Assets

	2006
Assets	
Equity in Pooled Cash and Cash Equivalents	\$152,918
Total Assets	\$152,918
Net Assets	
Restricted for:	
Other Purposes	8,682
Unrestricted	144,236
Total Net Assets	\$152,918

Table 2 reflects the changes in net assets for fiscal year 2006. Since this is the first full year of operations for the Academy, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

Table 2 Change in Net Assets

	2006
Operating revenues:	
State Foundation payments	\$359,772
Operating disbursements:	
Purchased services	240,562
Materials and supplies	32,872
Capital outlay	155,950
Other	203
Total operating disbursements	429,587
Operating income	(69,815)
Nonoperating revenues:	
Federal & State Grants	171,220
Change in net assets	\$101,405

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

State Foundation payments represent 67.75 percent of total revenues. These are unrestricted intergovernmental revenues, while non-operating revenues represent the remainder.

The major operating disbursement is purchased services. Purchased services are shown in greater detail in Table 3.

Table 3 Purchased Service Detail

Instruction Services	\$145,618
Special Education Services	15,161
Pupil Support Services	21,278
Instructional Support Services	21,000
Administrative Services	22,545
Fiscal Services	9,000
Data Processing	5,960
Total Purchased Services	<u>\$240,562</u>

Current Issues

The challenge for all schools is to provide quality education with fewer monies available to spend. Online schools are able to capitalize upon this since fewer full time personnel are needed to educate students. Also, the District is able to provide individualized attention when needed.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Amy Twarek, Treasurer, Miamisburg Secondary Digital Academy Community School, 540 E Park Ave., Miamisburg, Ohio 45342.

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**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
CASH BASIS
AS OF JUNE 30, 2006**

Assets		
Current Assets		
Cash		<u>\$152,918</u>
Total assets		<u>152,918</u>
Net Assets		
Restricted For:		
Other Purposes		8,682
Unrestricted		<u>144,236</u>
Total net assets		<u><u>\$152,918</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, DISBURSEMENTS AND CHANGES IN NET ASSETS
CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006**

Operating Revenues	
State Foundation payments	<u>\$359,772</u>
Operating Disbursements	
Purchased services	240,562
Materials and supplies	32,872
Capital outlay	155,950
Other	<u>203</u>
Total operating disbursements	<u>429,587</u>
Operating income	<u>(69,815)</u>
Nonoperating Revenues	
Federal & State Grants	<u>171,220</u>
Change in net assets	101,405
Total net assets-beginning	<u>51,513</u>
Total net assets-ending	<u><u>\$152,918</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE ENTITY

Miamisburg Secondary Digital Academy (the Academy) is a public benefits corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 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 school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The Academy was approved for operation under contract with the Miamisburg City School District (the Sponsor) for a period of five years commencing April 28, 2005. 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 Academy operates under the direction of a seven-member Board of Directors. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Board of Directors has entered into a one year service contract with Tri-Rivers Educational Computer Association to provide instructional, administrative, and technical services required for the operation of the School. (See note 5). The Board of Directors has also entered into a one year service contract with Miamisburg City Schools to provide planning, instructional, administrative, and technical services required for the operation of the School. (See note 6). The Academy is associated with the Metropolitan Dayton Education Computer Association (MDECA) which is defined as a jointly governed organization (See note 7).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the Academy chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. The Academy recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

1. Business Type Accounting

The Academy uses business type accounting to track and report on its financial activities. Business type accounting is used to account for operations that are financed and operated in a manner similar to private business where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MOTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process

Community Schools must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates. 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. The Academy did not adopt a spending plan as set forth in the Ohio Revised Code 5705.391.

C. Cash

All monies received by the Academy are maintained in a demand deposit account.

D. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues from this program are recognized as operating revenues in the accompanying financial statements. The Academy also receives federal and state grant monies.

E. 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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reflected as "Restricted for Other Purposes" represents federal and state grants.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The statement of net assets reports \$8,682 of restricted net assets, of which none is restricted by enabling legislation.

F. Change in Accounting Principles

For fiscal year 2006, the Academy has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"* and *GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation"*.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the Academy's financial statements for fiscal year 2006.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the Academy's financial statements for fiscal year 2006.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MOTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

3. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$138,904 of the Academy's bank balance of \$238,904 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institutions trust departments or agent, but not in the Academy's name.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or 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 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. 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; and natural disasters. For fiscal year 2006, the Academy was uninsured for commercial inland marine, general liability, and property.

5. CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The Academy entered into a one year contract on July 1, 2005, for fiscal year 2006, with Tri-Rivers Educational Computer Association (TRECA). Under the contract, the following terms were agreed upon:

- TRECA 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 TRECA under the agreement shall be employees of TRECA and TRECA 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 TRECA 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.
- The Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the Academy, with primary responsibility for day-to day operations of the Academy.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- The Academy shall pay TRECA \$3,600 per full-time high Academy student. Part-time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2006, \$97,607 was paid to TRECA by the Academy.

To obtain TRECA's audited June 30, 2006, financial statements please contact Scott Armstrong, Treasurer, at scott@treca.org.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MOTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

6. CONTRACT WITH MIAMISBURG CITY SCHOOLS

The Academy entered into an agreement with Miamisburg Schools for office space, administrative staff, and technical services. Under the agreement, Miamisburg City Schools 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. Additional services under the agreement include:

- All personnel providing services to the Academy on behalf of Miamisburg City Schools 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 Schools 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.

For fiscal year 2006, \$123,858 was paid to Miamisburg City Schools by the Academy.

To obtain Miamisburg City School's audited June 30, 2006, financial statements please contact Amy Twarek, Treasurer, at atwarek@miamisburg.k12.oh.us

7. JOINTLY GOVERNED ORGANIZATION

The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Academy made payments of \$2,742 to MDECA during the fiscal year ended June 30, 2006. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

8. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state 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 agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. 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 June 30, 2006.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MOTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

8. CONTINGENCIES (Continued)

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and fulltime equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of the fiscal year 2006 review resulted in a payment due to the Academy in the amount of \$2,796. However, in the opinion of the Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

9. STATE SCHOOL FUNDING DECISION

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

10. FISCAL AGENT

The Academy utilizes the services of Miamisburg City Schools as their fiscal officer.

11. PURCHASED SERVICES

The major operating disbursement is purchased services. Purchased services are shown in greater detail below:

Purchased Service Detail	
Instruction Services	\$145,618
Special Education Services	15,161
Pupil Support Services	21,278
Instructional Support Services	21,000
Administrative Services	22,545
Fiscal Services	9,000
Data Processing	5,960
Total Purchased Services	<u>\$240,562</u>

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Mary Taylor, CPA

Auditor of State

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

Miamisburg Secondary Digital Academy Community School
Montgomery County
540 E Park Ave
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Miamisburg Secondary Digital Academy Community School (the Academy) as of and for the year ended June 30, 2006, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated June 5, 2007, wherein we noted the Academy uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that for the year ended June 30, 2006, the Academy revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and management's Discussion and Analysis – for State and Local Governments*. 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 Academy's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated June 5, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-004.

Miamisburg Secondary Digital Academy Community School
Montgomery 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 and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 5, 2007

MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Administrative Code Section 117-2-03 (B) requires community schools to prepare its financial report in accordance with generally accepted accounting principles.

The Academy prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles.

The accompanying financial statements and notes 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 Academy could be fined and subject to various other administrative remedies for its failure to file the required financial report. The Academy should report in accordance with generally accepted accounting principles to more accurately reflect the financial activity and condition of the Academy.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 3314.03(11)(b) requires that the governing authority of each community school must purchase liability insurance, or otherwise provide for the potential liability of the school.

The Academy did not purchase liability insurance and presented no other means to provide for the potential liability of the school.

Failure to obtain liability insurance could subject the Academy to an uninsured risk or loss, and possibly the inability to continue operations. The Academy should institute procedures to obtain liability insurance and periodically review the coverage for adequacy.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code Section 117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. GAAP-basis entities must file annual reports within 150 days. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Additionally, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Academy did not file its Annual Report with the Auditor of State within the required time nor publish a public notice in a local newspaper stating that the annual report was available for public inspection.

The Governing Board should establish, adopt, and implement policies and procedures to ascertain that the annual financial report is filed in a timely manner and the notice of the availability of the report is published in the local newspaper.

FINDING 2006-004

Noncompliance Citation

Ohio Revised Code Section 5705.391 and Ohio Admin. Code Section 3301-92-04 states that school boards must adopt a spending plan and submit the plan to the Ohio Department of Education ODE as provided for under **Ohio Revised Code Section 3314.03(A)(11)(d)**

The Academy did not adopt a spending plan nor submit the plan to ODE.

The Academy should adopt a spending plan, at a regular board meeting, and submit the approved plan to the ODE between April 1 and May 31 of each fiscal year in order to be in compliance with the above section of the Ohio Revised Code. At a minimum the plan which includes projections for five years, should include all revenues available for appropriation and their source, the nature and amount of expenditures, and any other information required to determine whether the Academy will incur expenses that will impair its ability to operate with the revenue available.

Officials' Response: "We did not receive a response from Officials to these findings."



Mary Taylor, CPA
Auditor of State

MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL

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
AUGUST 14, 2007**