



Dave Yost • Auditor of State

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position-Cash Basis – June 30, 2013.....	7
Statement of Receipts, Disbursements and Changes In Net Position- Cash Basis – For the Fiscal Year Ended June 30, 2013.....	8
Notes to the Basic Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	18

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Urbana Community School
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Urbana Community School, Champaign County, Ohio (the School), a component unit of Urbana City School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School'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 the cash accounting basis Note 2.B describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 School'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 School's internal control. Accordingly, we express no 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of Urbana Community School, Champaign County, Ohio, a component unit of Urbana City School District, as of June 30, 2013, and the changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.B.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.ohioauditor.gov

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2.B of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3.A to the financial statements, during the year ended June 30, 2013, the School adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position and changes in net position. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 24, 2013

**URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The discussion and analysis of the Urbana Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, the School's net position was \$850,042 at June 30, 2013.
- The School had operating receipts of \$264,645 and operating disbursements of \$258,155 for fiscal year 2013.
- The School also received \$1,663 non-operating receipts during fiscal year 2013.
- Total change in net position for fiscal year 2013 was an increase of \$8,153, from a beginning balance of \$841,889 to a balance of \$850,042.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position – cash basis and statement of receipts, disbursements and changes in net position – cash basis provide information about the activities of the School.

Reporting the School's Financial Activities

Statement of Net Position and the Statement of Receipts, Disbursements, and Changes in Net Position

These documents look at all financial transactions and ask the question, "How did the School perform financially during 2013?" The statement of net position – cash basis and statement of receipts, disbursements, and changes in net position – cash basis answer this question. These statements include only the School's net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the School's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the School as a whole, the cash basis financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)

The table below provides a summary of the School's net position for fiscal years 2013 and 2012.

	Net Position	
	2013	2012
Assets:		
Current assets	\$850,042	\$841,889
Total assets	850,042	841,889
Net Position:		
Restricted	13,000	18,000
Unrestricted	837,042	823,889
Total net position	\$850,042	\$841,889

Over time, net position can serve as a useful indicator of a government's financial position. Total net position of the School increased \$8,153, which represents a 0.97% increase from the School's net position at June 30, 2012. A portion of the School's net position, \$13,000, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$837,042 may be used for the School's ongoing operations.

The table below shows the changes in net position for fiscal year 2013 and 2012.

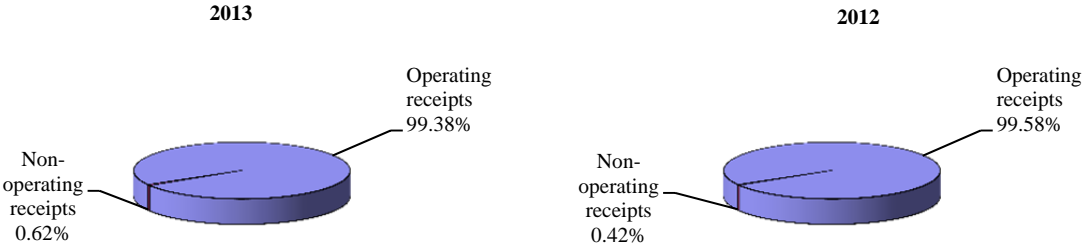
	Changes in Net Position	
	2013	2012
Operating Receipts:		
State foundation	\$264,645	\$279,545
Other		2,614
Total operating receipts	264,645	282,159
Operating Disbursements:		
Purchased services	234,593	245,501
Materials and supplies	23,562	29,227
Total operating disbursements	258,155	274,728
Non-operating receipts:		
Unrestricted state grants	839	
Interest income	824	1,194
Total non-operating receipts	1,663	1,194
Change in net position	8,153	8,625
Net position at beginning of year	841,889	833,264
Net position at end of year	\$850,042	\$841,889

State foundation receipts decreased 5.33% from 2012, and the School received \$839 in unrestricted state grants during 2013 resulting from the School's allocation of casino revenue, while none were received in the prior year. Purchased services and materials and supplies disbursements decreased \$10,908 or 4.44%, and \$5,665 or 19.38%, respectively. In total, the net position of the School increased 0.97% from net position at June 30, 2012.

**URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The charts below illustrate the receipts for the School during fiscal years 2013 and 2012.



Current Financial Related Activities

The School is sponsored by Urbana City School District. The School is reliant upon state foundation funding to offer quality, online learning to students.

In order to continually provide online learning opportunities to the School’s students, it is the intent of the School to apply for other state funds that are made available.

Contacting the School’s Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School’s finances and to show the School’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Mandy Hildebrand, Treasurer, Urbana Community School, 711 Wood Street, Urbana, OH 43078.

This page intentionally left blank.

URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013

Assets:

Current assets:

Equity in pooled cash and cash equivalents	<u>\$850,042</u>
Total current assets	<u>850,042</u>

Net position:

Restricted for:

State-funded programs	13,000
Unrestricted	<u>837,042</u>
Total net position	<u><u>\$850,042</u></u>

See accompanying notes to the basic financial statements.

URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating receipts:	
State foundation	\$264,645
Total operating receipts	<u>264,645</u>
Operating disbursements:	
Purchased services	234,593
Materials and supplies	23,562
Total operating disbursements	<u>258,155</u>
Operating income	<u>6,490</u>
Non-operating receipts:	
Unrestricted state grants	839
Interest income	824
Total non-operating receipts	<u>1,663</u>
Change in net position	8,153
Net position at beginning of year	<u>841,889</u>
Net position at end of year	<u><u>\$850,042</u></u>

See accompanying notes to the basic financial statements.

**URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL

Urbana Community School (the "School") is a school as provided for by Ohio Revised Code Chapters 3314 and 1702 within the Urbana City School District (the "Sponsor"). The School's objective is to use technology to reach a diverse student population. The School is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include most ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the School's program. This population may include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students within the Sponsor school district that desire a specific course not currently offered but available through online instruction. The program will permit the use of a "blended" approach to the delivery of educational services designed to provide the optimum balance between online and traditional instruction for each individual student. The School offers students the choice of on-line or correspondence schooling. The School, which is part of the state's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued in its own name, acquire facilities as needed and contract for services necessary for the operation of the School. The School is considered a component unit of the Urbana City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statements No. 39 and GASB Statement No. 61.

The School was initially approved under contract with the Sponsor for the period of five years commencing July 1, 2003. The current three year contract, previously due to expire on June 30, 2012, was extended through June 30, 2013. The School began operations on July 1, 2004.

The School operates under the direction of a Board of Directors of which a majority shall be elected or appointed public officials or employees, or shall be other community leaders as set forth in the School's code of regulations. The Board may also include one or more parents of students enrolled in the School or civic leaders, also as set forth in the School's code of regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash 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. Following are the more significant of the School's accounting policies.

A. Basis of Presentation

Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) related to providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although Ohio Administrative Code §117-2-03 (B) requires the School's financial report to follow generally accepted accounting principles, the School chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a financial reporting framework other than generally accepted accounting principles in the United States of America. The School recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

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 §5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires the School to prepare a five-year annual budget detailing revenues and expenses. The five-year projection is also required by Ohio Revised Code §5705.391.

D. Cash and Cash Equivalents

The School maintains an interest bearing depository account. All funds of the School are maintained in this account. This interest bearing depository account is presented on the statement of net position - cash basis as "equity in pooled cash and cash equivalents".

E. Capital Assets and Depreciation

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation has not been reported for any capital assets.

F. Operating Receipts and Disbursements

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

G. Intergovernmental Receipts

The School currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the School. Foundation program receipts for the fiscal year 2013 amounted to \$264,645.

Grants and entitlements are recognized as non-operating receipts in the accounting period in which they are received. During 2013, the School received \$839 in unrestricted grants from the State of Ohio.

**URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position

Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the School has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections - 2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements to incorporate the concept of net position.

URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the School.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School.

B. Compliance

Ohio Administrative Code, §117-2-03(B), requires that the School prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on a cash basis, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School can be fined and various other administrative remedies may be taken against the School.

4. EQUITY IN POOLED CASH AND INVESTMENTS

At June 30, 2013, the carrying amount of the School's deposits was \$850,042. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$600,042 of the School's bank balance of \$850,042 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

**URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

5. COMPREHENSIVE SERVICES AGREEMENT WITH TRECA

The School contracted with Tri-Rivers Education Computer Association (TRECA) for the period July 1, 2012 through June 30, 2013. Under the contract, the following terms were agreed upon:

1. TRECA shall provide the School with instructional, supervisory/administrative, and technical services sufficient to substantially implement the School's educational plan and the School's assessment and accountability plan.
2. All personnel providing services to the School 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.
3. The School shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the School.
4. Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
5. The School shall pay to TRECA \$3,000 per full-time student enrolled in the School per year for comprehensive services. Additional service packages may be provided on such terms as are agreed to by the parties.

During fiscal year 2013, the School paid \$118,604 to TRECA for services.

To obtain TRECA's audited June 30, 2013 financial statements please contact Scott Armstrong at scott@treca.org.

6. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2013, the School was named on the Sponsor's policy for property and general liability insurance.

7. PURCHASED SERVICES

For fiscal year ended June 30, 2013, disbursements for purchased services were as follows:

TRECA services	\$118,604
Sponsor services	109,674
Other services	6,315
Total	<u>\$234,593</u>

**URBANA COMMUNITY SCHOOL
(A Component Unit of Urbana City School District)
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

8. CONTINGENCIES

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2013.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The School has not been reviewed as of June 30, 2013. The School does not anticipate any significant adjustments to State funding for fiscal year 2014 as a result of the reviews which have yet to be completed.

C. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

9. FISCAL AGENT

The School utilizes the services of the Sponsor's Treasurer as its fiscal officer. The School does not directly pay the Treasurer; however, it does reimburse the Sponsor for services provided.



Dave Yost • Auditor of State

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

Urbana Community School
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

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 Urbana Community School, Champaign County, (the School), a component unit of Urbana City School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 24, 2013, wherein we noted the School uses a special purpose framework other than generally accepted accounting principles. We also noted the School adopted provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School'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 School'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 School'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 24, 2013

URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013

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

FINDING NUMBER 2013-001

MATERIAL 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 Admin. 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 the School to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For fiscal year 2013, the School prepared financial statements that report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Officials' Response:

We did not receive a response from Officials regarding this finding.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	ORC 117.38 and OAC 117-2-03(B) - Failure to report on GAAP	No	Repeated as Finding 2013-001



Dave Yost • Auditor of State

URBANA COMMUNITY SCHOOL

CHAMPAIGN 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
DECEMBER 17, 2013**