

**AUGLAIZE COUNTY
EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

REGULAR AUDIT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2024 & 2023**



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Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Directors
Auglaize County Educational Academy
1045 Dearbaugh Avenue
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditor's Report* of the Auglaize County Educational Academy, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2022 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Auglaize County Educational Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 17, 2024

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AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO

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Independent Auditor's Report

Auglaize County Educational Academy
Auglaize County
1045 Dearbaugh Avenue, Suite 3
Wapakoneta, Ohio 45895

To the Members of the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the Auglaize County Educational Academy, Auglaize County, Ohio, as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Auglaize County Educational Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Auglaize County Educational Academy, as of June 30, 2024 and 2023, and the changes in cash basis financial position, thereof for the fiscal years then ended in accordance with cash basis of accounting described in Note 2.

Basis for Opinions

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Auglaize County Educational Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Ohio Administrative Code § 117-2-03(B) requires the Auglaize County Educational Academy 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 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auglaize County Educational Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Auglaize County Educational Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auglaize County Educational Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Auglaize County Educational Academy
Auglaize County
Independent Auditor's Report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2024 on our consideration of the Auglaize County Educational Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Auglaize County Educational Academy's 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 Auglaize County Educational Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Julian & Grube, Inc." The signature is cursive and fluid, with "Julian" and "Grube" connected by a horizontal line.

Julian & Grube, Inc.
November 26, 2024

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2024**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 566,842
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Net position:

Restricted for:

State programs	\$ 74,180
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Unrestricted	492,662
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Total net position	\$ 566,842
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Operating receipts:

Charges for services	\$ 191,973
Foundation revenue	838,117
Miscellaneous receipts	3,150
Total operating receipts	<u>1,033,240</u>

Operating disbursements:

Purchased services	845,497
Materials and supplies	61,358
Other disbursements	8,270
Total operating disbursements	<u>915,125</u>

Operating income	<u>118,115</u>
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Non-operating receipts:

Interest	3,006
Grants	251,557
Total non-operating receipts	<u>254,563</u>

Change in net position	<u>372,678</u>
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Net position at beginning of year	<u>194,164</u>
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Net position at end of year	<u>\$ 566,842</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

AEA was approved for operation under a contract with the Auglaize County Educational Service Center for a five-year period commencing on the first day of the 2003 academic year. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008 and expired on June 30, 2013. The contract was renewed for a five-year period commencing on July 1, 2013. The Buckeye Community Hope Foundation became the sponsor of AEA effective July 1, 2018. The sponsor is responsible for evaluating the performance of AEA and has the authority to deny renewal of the contract at its expiration.

AEA operates under the direction of a five-member Board of Directors. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2024, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the AEA's accounting policies.

A. Basis of Presentation

AEA's basic financial statements consist of a statement of net position- cash basis and a statement of receipts, disbursements, and change in net position - cash basis.

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

B. Basis of Accounting

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

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

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Budgetary Basis

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

D. Cash and Investments

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position - cash basis. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2024, AEA's investments consisted of investments in State Treasury Asset Reserve of Ohio (STAR Ohio).

The AEA invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The AEA measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding \$100 million is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

E. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

F. Operating Receipts and Disbursements

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

G. Leases

AEA is the lessee in various leases related to equipment under noncancelable leases. Lease payables are not reflected under AEA's cash basis of accounting. Lease disbursements are recognized when they are received/paid.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Long-Term Obligations

AEA's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, financed purchase transaction or SBITA is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Lease payments, SBITA payments, and financed purchase payments are reported when paid.

I. Subscription Based Information Technology Arrangements (SBITAs)

AEA has Subscription Based Information Technology Arrangements (SBITAs) under noncancelable arrangements. SBITA payables are not reflected under AEA's cash basis of accounting. SBITA disbursements are recognized when they are paid.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2024, the AEA has implemented certain paragraphs of GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "Omnibus 2022", GASB Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62" and Implementation Guide No. 2023-1.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the AEA.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the AEA.

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the AEA.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the AEA.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the AEA to prepare its annual financial report in accordance with generally accepted accounting principles. However, the AEA prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic 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 AEA can be fined and various other administrative remedies may be taken against the AEA.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2024, the carrying amount of all AEA deposits was \$66,186 and the bank balance of all Academy deposits was \$68,157. Of the bank balance, all was covered by the Federal Deposit Insurance Corporation (FDIC).

B. Investments

As of June 30, 2024, the AEA had the following investments and maturities:

<u>Investment type</u>	<u>Cost</u>	<u>Investment Maturities</u>
Amortized cost:		6 months or less
STAR Ohio	<u>\$ 500,656</u>	<u>\$ 500,656</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAA by Standard & Poor's.

Concentration of Credit Risk: The AEA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type the AEA held at June 30, 2024:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	<u>\$ 500,656</u>	<u>100.00</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2024:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 66,186
Investments	<u>500,656</u>
Total	<u>\$ 566,842</u>

<u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 566,842</u>

NOTE 5 - RISK MANAGEMENT

AEA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2024, AEA obtained insurance coverage through the Auglaize County Educational Service Center's insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$15,000,000
Aggregate	17,000,000

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

NOTE 6 - FISCAL AGENT

AEA has contracted with Mangen1 LLC to provide fiscal officer/financial services to AEA. Under the agreement Mangen1 LLC will provide the following: bookkeeping services, accounting services, treasurer services, reporting & advisory services and CCIP funding services. The agreement runs from July 1, 2023 through June 30, 2024.

NOTE 7 - RELATED PARTY TRANSACTIONS

In fiscal year 2024, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$713,050.

AEA entered into a lease agreement with the Auglaize County Educational Service Center to lease space for offices and classroom instructional areas of approximately 3,500 square feet (Suite 4) and approximately 1,120 square feet (Suite 3). The lease term is for one year from August 1, 2023 to July 31, 2024. During fiscal year 2024, AEA paid Auglaize County Education Service Center \$29,007.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 7 - RELATED PARTY TRANSACTIONS - (Continued)

The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries and Frige Benefits	\$ 628,330
Purchased Services	84,132
Materials and Supplies	<u>588</u>
 Total	 <u>\$ 713,050</u>

NOTE 8 - CONTINGIENCES

A. Grants

AEA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of AEA at June 30, 2024.

B. Litigation

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

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusions of this review could result in State funding being adjusted.

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2024, expenses for purchased services were as follows:

	<u>Amount</u>
Professional and Technical Services	\$ 796,736
Property services	38,977
Administrative/Meeting Expenses	1,859
Communications	2,534
Utilities	<u>5,391</u>
 Total	 <u>\$ 845,497</u>

NOTE 10 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2024, the AEA received COVID-19 funding. The AEA will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2023**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 194,164
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Net position:

Restricted for:

State programs	\$ 97,976
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Unrestricted	96,188
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Total net position	\$ 194,164
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Operating receipts:

Charges for services	\$ 132,182
Foundation revenue	713,392
Miscellaneous receipts	150
Total operating receipts	<u>845,724</u>

Operating disbursements:

Purchased services	1,297,213
Materials and supplies	52,897
Other disbursements	12,961
Total operating disbursements	<u>1,363,071</u>

Operating loss	<u>(517,347)</u>
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Non-operating receipts:

Interest	724
Grants	487,680
Total non-operating receipts	<u>488,404</u>

Change in net position	<u>(28,943)</u>
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Net position at beginning of year	<u>223,107</u>
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Net position at end of year	<u>\$ 194,164</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 - DESCRIPTION OF THE ENTITY

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AEA operates under the direction of a five-member Board of Directors. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2023, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the AEA's accounting policies.

A. Basis of Presentation

AEA's basic financial statements consist of a statement of net position- cash basis and a statement of receipts, disbursements, and change in net position - cash basis.

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

B. Basis of Accounting

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

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

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Budgetary Basis

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

D. Cash and Cash Equivalents

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position - cash basis. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2023, AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

E. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

F. Operating Receipts and Disbursements

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

G. Leases

AEA is the lessee in various leases related to equipment under noncancelable leases. Lease payables are not reflected under AEA's cash basis of accounting. Lease disbursements are recognized when they are received/paid.

H. Long-Term Obligations

AEA's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, financed purchase transaction or SBITA is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Lease payments, SBITA payments, and financed purchase payments are reported when paid.

I. Subscription Based Information Technology Arrangements (SBITAs)

AEA has Subscription Based Information Technology Arrangements (SBITAs) under noncancelable arrangements. SBITA payables are not reflected under AEA's cash basis of accounting. SBITA disbursements are recognized when they are paid.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 3 - DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the AEA's bank balance was \$322,702. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$72,702 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject AEA to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. AEA has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to AEA and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

NOTE 4 - RISK MANAGEMENT

AEA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, AEA obtained insurance coverage through the Auglaize County Educational Service Center's insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$15,000,000
Aggregate	17,000,000

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

NOTE 5 - FISCAL AGENT

AEA has contracted with Mangen1 LLC to provide fiscal officer/financial services to AEA. Under the agreement Mangen1 LLC will provide the following: bookkeeping services, accounting services, treasurer services, reporting & advisory services and CCIP funding services. The agreement runs from July 1, 2022 through June 30, 2023.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 6 - RELATED PARTY TRANSACTIONS

In fiscal year 2023, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$1,125,629.

AEA entered into a lease agreement with the Auglaize County Educational Service Center to lease space for offices and classroom instructional areas of approximately 3,500 square feet (Suite 4) and approximately 1,120 square feet (Suite 3). The lease term is for three years beginning August 1, 2020 and AEA agrees to pay \$28,000 annually and was amended in fiscal year 2022 to lower the payments to \$26,000 annually. During fiscal year 2023, AEA paid Auglaize County Education Service Center \$26,000.

The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries and Frige Benefits	\$ 1,067,455
Purchased Services	<u>58,174</u>
Total	<u><u>\$ 1,125,629</u></u>

NOTE 7 - CONTINGENCIES

A. Grants

AEA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of AEA at June 30, 2023.

B. Litigation

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

NOTE 8 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the AEA to prepare its annual financial report in accordance with generally accepted accounting principles. However, the AEA prepared its financial statements on a cash basis, which is a comprehensive basis of accounting 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 AEA can be fined and various other administrative remedies may be taken against the AEA.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2023, expenses for purchased services were as follows:

	<u>Amount</u>
Professional and Technical Services	\$ 1,224,176
Property services	38,871
Administrative/Meeting Expenses	1,458
Communications	4,196
Tuition	1,905
Other	<u>26,607</u>
 Total	 <u>\$ 1,297,213</u>

NOTE 10 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the AEA received COVID-19 funding. The AEA will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Auglaize County Educational Academy
Auglaize County
1045 Dearbaugh Avenue, Suite 3
Wapakoneta, Ohio 45895

To the Members of the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the Auglaize County Educational Academy, Auglaize County, Ohio, as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Auglaize County Educational Academy's basic financial statements and have issued our report thereon dated November 26, 2024, wherein we noted the Auglaize County Educational Academy uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Auglaize County Educational Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Auglaize County Educational Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Auglaize County Educational Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Auglaize County Educational Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Auglaize County Educational Academy

Auglaize County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Auglaize County Educational Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2024-001.

Auglaize County Educational Academy's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Auglaize County Educational Academy's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Auglaize County Educational Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Auglaize County Educational Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Auglaize County Educational Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

November 26, 2024

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024 AND 2023**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2024-001

Noncompliance - Annual Financial Report

Ohio Rev. Code § 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 § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The Academy prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Failure to prepare proper GAAP financial statements may result in the Academy being fined or other administrative remedies.

The Academy should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a cash basis is a better way to allocate those funds.

AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2024 AND 2023

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2022-001	2005	<u>Noncompliance – Annual Financial Report</u> - Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). The Academy prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP.	Not Corrected	Finding repeated as 2024-001 as the Academy did not prepare its annual financial report in accordance with GAAP.
2022-002	2016	<u>Significant Deficiency/Noncompliance – Lack of Detailed Alternative Logs</u> – The Academy uses Edgenuity to record its' student's computer time hours. In addition, most students also have an alternative log which is separate from Edgenuity and records non-computer time activities such as work-study hours, testing, etc. Therefore, to determine whether the students received credit for more than 10 hours of learning opportunities in one day, the alternative log hours must be added to the Edgenuity log hours. During the fiscal year ended June 30, 2021, the Academy could not provide documentation that showed a breakdown of how many hours were earned each day for the alternative log hours. Therefore, we were unable to determine whether students received credit for more than 10 hours of learning opportunities in one day.	Corrective Action Taken and Finding is Fully Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



AUGLAIZE COUNTY EDUCATIONAL ACADEMY

AUGLAIZE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/31/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov