



**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2006**



**Auditor of State  
Betty Montgomery**



**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Fairborn Digital Academy Community School  
Greene County  
306 East Whittier Avenue  
Fairborn, OH 45324

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the Fairborn Digital Academy Community School, Greene County, (the School), a component unit of Fairborn City School District, as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School 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 modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the business-type activities of the Fairborn Digital Academy Community School, Greene County, as of June 30, 2006, and the respective changes in modified 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 School 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 October 26, 2006, 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. 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 26, 2006

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

The discussion and analysis of Fairborn Digital Academy's (the School) financial performance provides an overall review of the School'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 School's financial performance.

**Financial Highlights**

Key highlights for fiscal year 2006 are as follows:

In total, net assets increased by \$132,515 or 59.22%, a significant change from the prior fiscal year. This was due to increased students, resulting in increased state aid without having significant increases in staff costs. The Schools general receipts, those being primarily state foundation payments were \$728,103 or 94.4% 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 School's cash basis of accounting.

The School 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 School'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 activities of the whole School. The Statement of Revenues, Disbursements and Changes in Fund Net Assets – Modified Cash Basis provide 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.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

**The School as a Whole**

Table 1 provides a summary of the School's net assets for fiscal year 2006 compared to fiscal year 2005:

**Table 1 Net Assets**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$356,292	\$223,777
Total Assets	<u>\$356,292</u>	<u>\$223,777</u>
<b>Net Assets</b>		
Restricted for:		
Other Purposes	513	13,861
Unrestricted	<u>355,779</u>	<u>209,916</u>
Total Net Assets	<u>\$356,292</u>	<u>\$223,777</u>

As mentioned previously, total net assets increased \$132,515 or 59.22 percent. The primary reason contributing to the increase in cash balances is the school's extreme dependence on unrestricted state funding. An increase in students resulted in increased state aid without having significant increases in staff.

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2 Change in Net Assets**

	<u>2006</u>	<u>2005</u>
<b>Operating revenues:</b>		
State Foundation payments	\$728,103	\$611,436
Total operating revenues	728,103	611,436
<b>Operating disbursements:</b>		
Purchased services	605,823	696,050
Materials and supplies	2,215	9,858
Capital outlay	23,679	86,972
Other	<u>7,092</u>	<u>6,425</u>
Total operating disbursements	<u>638,809</u>	<u>799,305</u>
Operating income	<u>89,294</u>	<u>(187,869)</u>
<b>Nonoperating revenues:</b>		
Federal & State Grants	40,256	191,812
Interest earnings	1,486	
Other	<u>1,479</u>	<u>2,295</u>
Total nonoperating revenues	<u>43,221</u>	<u>194,107</u>



**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

State Foundation payments represent 99.4% 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	\$451,910
Administrative Services	93,061
Data Processing	8,207
Board Services	150
Insurance Expense	2,541
Utility Expense	16,159
Meeting / Travel Expense	33,795
Total Purchased Services	<u>\$605,823</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. Only 2 full time certified staff and 1 full time support staff are needed for 116 students. A traditional school would require double that staff.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School's finances and to reflect the School'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 Tammy Emrick, Treasurer, Fairborn Digital Academy, 306 E Whittier Ave, Fairborn, Ohio 45324.

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**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

<b>Assets</b>		
<b>Current assets</b>		
Cash		<u>\$356,292</u>
Total assets		<u><u>356,292</u></u>
<b>Net Assets</b>		
Restricted for:		
Other Purposes		513
Unrestricted		<u>355,779</u>
Total net assets		<u><u>\$356,292</u></u>

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

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

<b>Operating revenues</b>	
State Foundation payments	<u>\$728,103</u>
Total operating revenues	728,103
<b>Operating disbursements</b>	
Purchased services	605,823
Materials and supplies	2,215
Capital outlay	23,679
Other	<u>7,092</u>
Total operating disbursements	<u>638,809</u>
Operating income	<u>89,294</u>
<b>Nonoperating revenues</b>	
Federal & State Grants	40,256
Interest earnings	1,486
Other	<u>1,479</u>
Total nonoperating revenues	<u>43,221</u>
Change in net assets	132,515
Total net assets-beginning	<u>223,777</u>
Total net assets-ending	<u><u>\$356,292</u></u>

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

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

**1. DESCRIPTION OF THE ENTITY**

Fairborn Digital Academy Community School (the School) is a nonprofit 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 K – 12 population primarily through distance learning technologies. 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 School was approved for operation under contract with the Fairborn City School District (the Sponsor) for a period of five years commencing July 1, 2002. The School accepted students beginning September 3, 2002. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-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. Fairborn City School District appoints the voting majority of the Board of Directors and is able to significantly influence the programs or services performed or provided, therefore, the School is a component unit of the Fairborn City School District.

The Board of Directors has entered into a one year service contract with Tri-Rivers Educational Computer Association ("TRECA") to provide planning, instructional, administrative, and technical services required for the operation of the School. (See note 5)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 School chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. The School recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**A. Basis of Presentation**

**Enterprise Accounting**

The School uses enterprise accounting to track and report on its financial activities. Enterprise 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE 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**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor or otherwise adopted by the Board of Directors. The contract between the School and its Sponsor prescribes a budget requirement of preparing five-year forecast annually. The contract also states the School 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 School currently prepares an annual five-year forecast budget and the Board of Directors receives financial statements on a bi-monthly basis.

**C. Cash**

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

**D. Intergovernmental Revenues**

The School currently participates in the State Foundation Program. Revenues from this program are recognized as operating revenues in the accompanying financial statements.

**3. DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$275,546 of the School's bank balance of \$375,546 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust departments or agent, but not in the School's name.

The School 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 School 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 School 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 School was insured for commercial inland marine, general liability, and property.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

**5. CONTRACT WITH TRECA**

The School entered into a one year contract on July 1, 2005, for fiscal year 2006, with TRECA. Under the contract, the following terms were agreed upon:

- TRECA shall provide the School with instructional, supervisory/administrative, and technical services sufficient to effectively implement the School's educational plan and the School's assessment and accountability plan.
- 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.
- The technical services provided by TRECA to the School 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 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.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- In exchange for the services and support (including equipment) provided by TRECA, the School shall pay to TRECA a fee of \$150 per student for the 2005-2006 school year.
- The School shall pay TRECA \$3,600 per full-time high school student and \$2,500 per full-time K-8 student enrollment in the School per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2006, \$327,373 was paid to TRECA by the School.

To obtain TRECA's audited June 30, 2006, financial statements please contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org).

**6. CONTINGENCIES**

**A. Grants**

The School 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 School. 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, 2006.

**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 conclusions of this review could result in state funding being adjusted. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

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

**7. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**8. FISCAL AGENT**

The School utilizes the services of TRECA as their fiscal officer. The School contracts with TRECA who in turn contracts with the Fairborn City School District Treasurer.

**9. TAX EXEMPT STATUS**

The School has not filed for tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The School has made no provision for any potential future tax liability which could result from not obtaining the Section 501(c)(3) tax exempt status.

**10. PURCHASED SERVICES**

For the period ended June 30, 2006, purchased service expenses were payments for services rendered by various vendors, as follows:

Instruction Services	\$451,910
Administrative Services	93,061
Data Processing	8,207
Board Services	150
Insurance Expense	2,541
Utility Expense	16,159
Meeting/Travel Expense	<u>33,795</u>
TOTAL	\$605,823

**11. FUNDING ADJUSTMENT**

The Academy receives funding from the State Department of Education based upon student enrollment. During 2006, the Academy received overpayments totaling \$39,506. This amount must be repaid to the State Department of Education. A monthly payment will be taken from the Academy's foundation in the amount of \$5,644 from December 2006 through June 2007.

**12. CHANGE IN BASIS OF ACCOUNTING**

Last year the school reported fund financial statements by fund type using the regulatory basis of accounting. The year the school has implemented the modified cash basis of accounting described in Note 2 and 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*.





## Auditor of State Betty Montgomery

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

Fairborn Digital Academy Community School  
Greene County  
306 East Whittier Avenue  
Fairborn, OH 45324

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Fairborn Digital Academy Community School, (the School), as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 26, 2006, wherein we noted the School uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that for the year ended June 30, 2006, the School 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 School'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 School's management dated October 26, 2006, 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 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, 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the School's management dated October 26, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Fairborn Digital Academy Community School  
Greene 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 26, 2006

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2006-001**

**Ohio Administrative Code Section 117-2-03 (B)** requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities 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 School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School should report in accordance with generally accepted accounting principles in order to more accurately reflect the financial activity and condition of the School.

**Client Response:**

Fairborn City Schools presents their financial statements on the OCBOA basis of accounting and since the Digital Academy is a component unit of the school district, will continue to present our financial statements on the same basis as the school district.

**FINDING NUMBER 2006-002**

**Board Policy BCC, Qualifications and Duties of the Treasurer**, requires in part that the Treasurer shall serve as the School's chief financial officer; assume responsibility for receipt, safekeeping and disbursement of all School funds; and direct and manage all financial accounting programs and systems.

Additional functions, duties, and responsibilities of the Treasurer include but are not limited to:

- record proceedings of Board meetings,
- prepare annual budget and appropriations resolution with assistance of the Executive Director,
- render monthly statement to Board and, as needed, to the Executive Director,
- sign all checks in accordance with law,
- complete and file at proper times all forms, reports, papers and other requirements as prescribed by the Auditor, Department of Education, or other state or local agencies,
- render full annual report at the end of each fiscal year,
- prepare long-range financial projections with the Executive Director for Board.

On January 12, 2005, the Board of Directors approved a letter of agreement with Tri-Rivers Educational Computer Association ("TRECA") to provide fiscal services for the school. Subsequently, the sponsor contract with Fairborn City School District was modified to provide that TRECA be the fiscal agent and that the Director of Fiscal Services for TRECA be the School's Treasurer. Prior to January 12, 2005, the sponsor contract provided that the Treasurer of the Fairborn City School District be the School's Treasurer and the Fairborn City School District serve as fiscal agent.

Since the approval of the agreement and the modification to the sponsor contract, the Fairborn City School District has continued to function as fiscal agent. Furthermore, all functions, duties, and responsibilities of the Treasurer continue to be performed by the Fairborn City School District Treasurer. The Fairborn City School District Treasurer operates without a contract or formal agreement with TRECA.

**FINDING NUMBER 2006-002  
(Continued)**

To provide for better monitoring, accountability, and compliance with Board Policy BCC and the sponsor contract, the School should assign responsibility for all treasury functions to the individual that performs the duties of Treasurer. The sponsor contract should be modified accordingly.

**Client Response:**

Fairborn Digital Academy has a contract with TRECA and they will supply one of their employees as fiscal agent for the academy.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL  
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 117.38 and Ohio Adm. Code Section 117-2-03(B) ~ School did not utilize GAAP accounting or present statements in GASB 34 format.	No	Partially corrected. GASB 34 presentation utilized but GAAP was not utilized. Repeated as finding 2006-001.
2005-002	Ohio Adm. Code Section 117-6-07 (B) ~ the Treasurer did not have a bond to provide for proper protection of public monies.	Yes	Bond has been obtained.
2005-003	Board Policy BCC – Qualifications and Duties of the Treasurer ~ The Fairborn City School District Treasurer serves as the School's treasurer without a contract.	No	Not Corrected. Repeated as finding 2006-002.





**Auditor of State  
Betty Montgomery**

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**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL**

**GREENE 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 21, 2006**