



**Auditor of State  
Betty Montgomery**



GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

GOAL Digital Academy Community School  
Morrow County  
145½ North Cherry Street  
P.O. Box 239  
Mount Gilead, Ohio 43338

To the Board of Directors:

We have audited the accompanying basic financial statements of the GOAL Digital Academy Community School, Morrow County, Ohio (the School), a component unit of Mount Gilead Exempted Village School District, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GOAL Digital Academy Community School, as of June 30, 2005, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 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.

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Management's Discussion & Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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

February 1, 2006

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The management's discussion and analysis of GOAL Digital Academy Community School's (the "GDA") financial performance provides an overall review of the GDA's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the GDA'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 GDA's financial performance.

The Management's Discussion and Analysis (the "MD&A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "*Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments*" issued in June of 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets were \$267,203 at June 30, 2005.
- The GDA had operating revenues of \$431,794 and operating expenses of \$337,681 for fiscal year 2005. Operating income and the change in net assets for the fiscal year was \$94,113 and \$108,644, respectively.

### **Using these 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 GDA's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expense and Changes in Net Assets* provide information about the activities of the GDA, including all short-term and long-term financial resources and obligations.

### **Reporting the GDA Financial Activities**

#### ***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the GDA's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the GDA as a whole, the *financial position* of the GDA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY, OHIO**

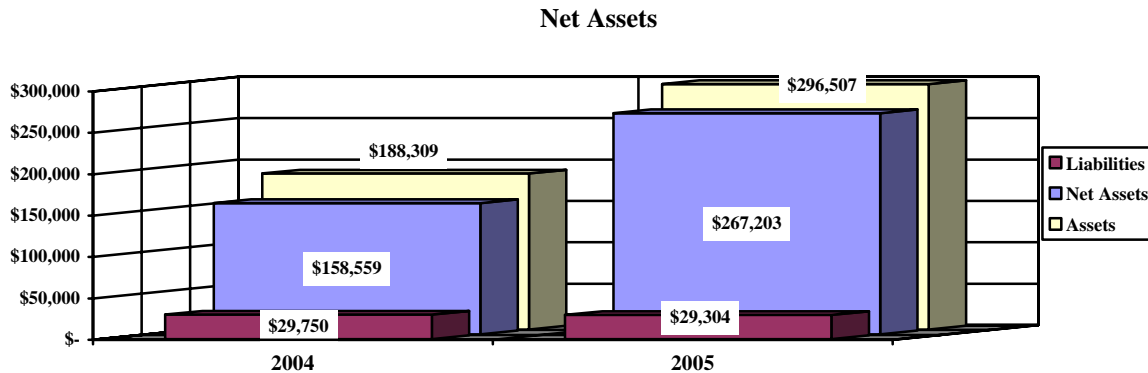
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The table below provides a summary of the GDA's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	2005	2004
<b><u>Assets</u></b>		
Current assets	\$ 169,420	\$ 61,578
Capital assets, net	127,087	126,731
Total assets	296,507	188,309
<b><u>Liabilities</u></b>		
Current Liabilities	29,304	29,750
Total liabilities	29,304	29,750
<b><u>Net Assets</u></b>		
Invested in capital assets	127,087	126,731
Restricted	60	2,171
Unrestricted	140,056	29,657
Total net assets	\$ 267,203	\$ 158,559

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the GDA's net assets totaled \$267,203, a 68.52% increase over fiscal 2004.

At year-end, capital assets represented 42.86% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.





**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY, OHIO**

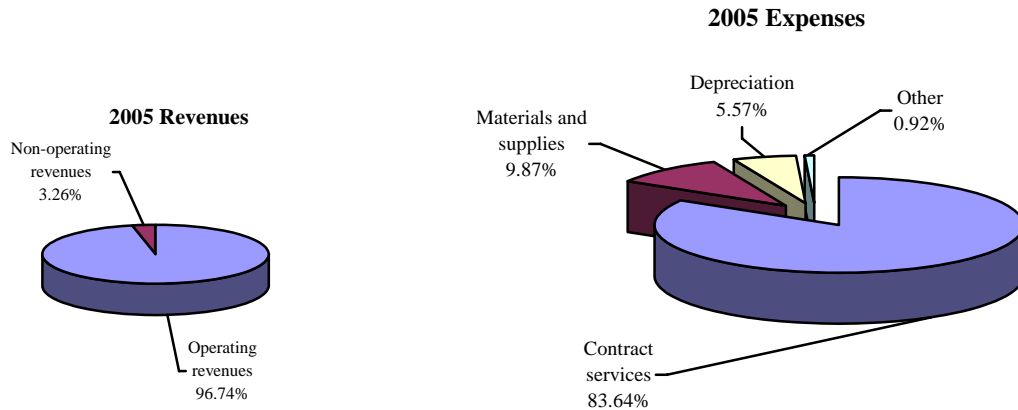
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The table below shows the changes in net assets for fiscal year 2005 and 2004.

**Change in Net Assets**

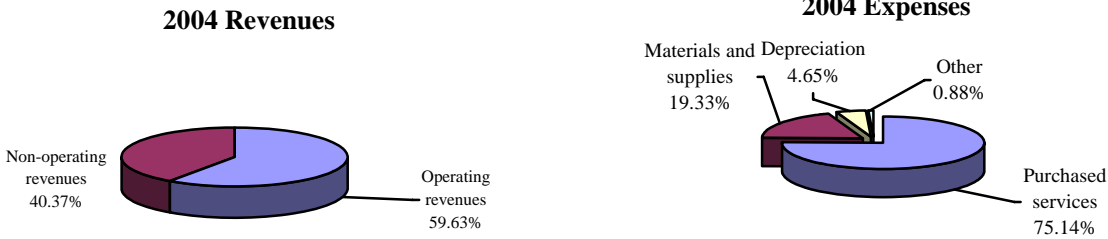
	<u>2005</u>	<u>2004</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 431,794	\$ 244,229
Total operating revenue	<u>431,794</u>	<u>244,229</u>
<b><u>Operating Expenses:</u></b>		
Contractual services	282,422	273,419
Materials and supplies	33,333	70,315
Depreciation	18,819	16,902
Other	<u>3,107</u>	<u>3,212</u>
Total operating expenses	<u>337,681</u>	<u>363,848</u>
<b><u>Non-operating revenues:</u></b>		
State and federal grants	5,925	160,341
Interest income	526	-
Other	<u>8,080</u>	<u>5,000</u>
Total non-operating revenues	<u>14,531</u>	<u>165,341</u>
 Change in net assets	 <u>\$ 108,644</u>	 <u>\$ 45,722</u>

The charts below illustrate the revenues and expenses for the GDA during fiscal years 2005 and 2004.



**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**



**Capital Assets**

At June 30, 2005, the GDA had \$127,087 invested in furniture and equipment compared to \$126,731 at June 30, 2004, representing an increase of \$356. See Note 4 to the basic financial statements for more detail on capital assets.

**Current Financial Related Activities**

The GDA is a conversion community school sponsored by the Mt. Gilead Exempted Village School district. The sponsorship currently runs through 2007. It is anticipated that this sponsorship will be renewed.

Contrary to most traditional schools the GDA is a less labor-intensive endeavor. Also, unlike traditional schools, a community school cannot levy any taxes and must survive on state revenues and donations. At this time the GDA relies solely on State funding for their resources. There are no immediate financial concerns outside of controlling health insurance premiums and utility costs. That being stated, the GDA's five-year forecast is very healthy and no budgetary cuts, nor additional resources outside of the State, are projected in the upcoming five-years.

The GDA is committed to operating within its financial means, and to working with the local community and agencies it serves to provide the required educational programs for these students.

**Contacting the GDA Treasurer**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the GDA's finances and to show the GDA's accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact Jill Novak, Treasurer, at GOAL Digital Academy, 145 ½ North Cherry Street, Mt. Gilead, OH 43338, or e-mail me at [Jill\\_n@treca.org](mailto:Jill_n@treca.org).

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**Assets:**

**Current:**

Equity in pooled cash and cash equivalents. . .	\$	169,420
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**Noncurrent**

Capital assets, net . . . . .		127,087
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Total assets . . . . .		296,507
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**Current Liabilities:**

Accounts payable . . . . .		148
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Due to primary government . . . . .		29,156
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Total liabilities . . . . .		29,304
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**Net Assets:**

Invested in capital assets . . . . .		127,087
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Restricted for:

State funded programs. . . . .		60
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Unrestricted . . . . .		140,056
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Total net assets. . . . .	\$	267,203
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<b>Operating revenues:</b>	
State foundation. . . . .	\$ 431,794
	<hr/>
Total operating revenues . . . . .	431,794
	<hr/>
<b>Operating expenses:</b>	
Contractual services . . . . .	282,422
Materials and supplies . . . . .	33,333
Depreciation . . . . .	18,819
Other . . . . .	3,107
	<hr/>
Total operating expenses . . . . .	337,681
	<hr/>
Operating income . . . . .	94,113
	<hr/>
<b>Nonoperating revenues:</b>	
State and federal grants . . . . .	5,925
Interest revenue . . . . .	526
Other. . . . .	8,080
	<hr/>
Total nonoperating revenues. . . . .	14,531
	<hr/>
Change in net assets . . . . .	108,644
	<hr/>
<b>Net assets at beginning of year . . . . .</b>	<b>158,559</b>
	<hr/>
<b>Net assets at end of year . . . . .</b>	<b>\$ 267,203</b>
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 431,794
Cash payments for contractual services . . . . .	(282,868)
Cash payments for materials and supplies . . . . .	(33,333)
Cash payments for other expenses . . . . .	<u>(3,107)</u>
Net cash provided by operating activities . . . . .	<u>112,486</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received state and federal grants . . . . .	19,770
Cash received from other nonoperating revenue . . . . .	<u>8,080</u>
Net cash provided by noncapital financing activities. . . . .	<u>27,850</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	<u>(19,175)</u>
Net cash used in capital and related financing activities. . . . .	<u>(19,175)</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>526</u>
Net cash provided by investing activities . . . . .	<u>526</u>
Net increase in cash and cash equivalents . . . . .	121,687
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>47,733</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 169,420</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 94,113
Adjustments:	
Depreciation . . . . .	18,819
Changes in assets and liabilities:	
Decrease in accounts payable . . . . .	(18,900)
Increase in due to primary government. . . . .	29,156
Decrease in intergovernmental payable. . . . .	<u>(10,702)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 112,486</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The GOAL Digital Academy (the "GDA") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The GDA is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The GDA's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K - 12 population entirely through distance learning technologies. It is to be operated in cooperation with the Mount Gilead Exempted Village School District to provide an innovative and cost-effective solution to the 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 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 GDA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The GDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

The GDA was certified by the State of Ohio Secretary of State as a non-profit organization on April 23, 2002. The GDA was approved for operation under a contract with the Mount Gilead Exempted Village School District (the "Sponsor") for a five year period commencing September 4, 2002. The Sponsor is responsible for evaluating the performance of the GDA and has the authority to deny renewal of the contract at its expiration.

The GDA operates under the direction of a seven-member Board of Directors made up of members appointed by the Mount Gilead Exempted Village School District Board of Education; therefore, GDA is a component unit of Mount Gilead Exempted Village School District. The Board of Directors consists of the Mount Gilead Exempted Village School District superintendent and treasurer, the Director of the Tomorrow Center, the technology director, a teacher/director, and two board members appointed by the Mount Gilead Exempted Village School District's Board of Education. The treasurer and any members of the Mount Gilead Exempted Village School District's Board of Education that may be appointed shall be a non-voting ex officio member of GDA's Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Superintendent of Mount Gilead Exempted Village School District is the Chief Administrative Officer of GDA and the Treasurer of Mt. Gilead Exempted Village School District is the Chief Financial Officer.

The GDA has developed a cooperative arrangement with the Sponsor.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the GDA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GDA also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The GDA has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The GDA's significant accounting policies are described below.

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**A. Basis of Presentation**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**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 Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the GDA and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**D. Cash**

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

**E. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The GDA maintains a capitalization threshold of \$500 for nontechnical equipment and \$200 for technical and audiovisual equipment. The GDA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to fifteen years.



**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**F. Operating Revenues and Expenses**

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

**G. Intergovernmental Revenue**

The GDA currently participates in the State Foundation Program, the Federal Charter School Grant Program through the Ohio Department of Education, the State Community School Grant, and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

**H. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all GDA deposits was \$169,420. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$100,000 of the GDA's bank balance of \$170,276 was covered by Federal Deposit Insurance Corporation, while \$70,276 was exposed to custodial risk as discussed below.

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 GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 - CAPITAL ASSETS**

A summary of capital assets at June 30, 2005 follows:

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/05</u>
Furniture and equipment	\$ 147,291	\$ 19,175	\$ -	\$ 166,466
Less: accumulated depreciation	<u>(20,560)</u>	<u>(18,819)</u>	<u>-</u>	<u>(39,379)</u>
Net fixed assets	<u>\$ 126,731</u>	<u>\$ 356</u>	<u>\$ -</u>	<u>\$ 127,087</u>

**NOTE 5 - RISK MANAGEMENT**

The GDA 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. On February 1, 2003, the GDA was named as an additional insured party on Mt. Gilead Exempted Village School District's, the Sponsor, insurance policy with Indiana Insurance for general liability insurance and property insurance. The entire risk of loss; less any deductibles, transfers to the commercial carrier. The following limits and deductibles are in aggregate for both GDA and the Sponsor. Indiana Insurance provides general liability coverage. The general liability coverage insures up to \$1,000,000 each occurrence and \$2,000,000 aggregate.

Settled claims have not exceeded commercial insurance coverage for fiscal year 2005 or 2004 and there has been no reduction in insurance coverage from the previous fiscal year.

Indiana Insurance provides property, crime, and equipment breakdown insurance coverage. The property coverage insures up to a blanket limit of \$28,647,325 with a \$2,500 deductible, commercial crime covers up to \$25,000. The limits and deductibles stated above are in aggregate for both GDA and the sponsor.

**NOTE 6 - CONTINGENCIES**

**A. Grants**

The GDA 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 GDA at June 30, 2005.

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 6 – CONTINGENCIES (Continued)**

**B. Litigation**

A suit was filed in the Franklin County Common Pleas Court, on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state's Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18<sup>th</sup>, 2003. On August 24, 2004, the Court of Appeals rendered a decision that community schools are part of the state's public educational system and the matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the GDA is not presently determinable.

**NOTE 7 - SERVICE CONTRACT**

The Mount Gilead Exempted Village School District and GDA entered into a service contract agreement. This agreement states that GDA will contract for educational services from the Mount Gilead Exempted Village School District Board of Education and reimburse the Board of Education for these services. The Mount Gilead Exempted Village School District agreed to provide the requested services and receive reimbursement for GDA pursuant to Ohio Revised Code Section 3317.11.

Mount Gilead Exempted Village School District's Board of Education agreed to provide the following services for GDA:

1. Instructional services for all grade levels.
2. Collaboration for staff development programs for certified and non-certified staff.
3. Planning and consultative services for curriculum development.
4. Psychological services as needed for re-evaluations and initial multi-factored evaluations.
5. Fiscal services including payroll, retirement, and insurance.
6. Student services including E.M.I.S., Nursing, Speech, Guidance, and Therapy.
7. Classroom space and administrative services.
8. Custodial services.
9. Supervision/Director services.
10. Technology support.

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

**NOTE 8 - CONTRACTUAL SERVICES**

For fiscal year ended June 30, 2005, contract services were as follows:

Purchased instructional/administrative services	\$ 202,503
Utility expenses	16,502
Other purchased services	<u>63,417</u>
Total	<u>\$ 282,422</u>

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 - CONTRACTUAL SERVICES (Continued)**

The above transactions are related party transactions since these services are purchased through the Sponsor, Mount Gilead Exempted Village School District as described in Note 7.

**NOTE 9 - FULL TIME EQUIVALENCY**

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 results of this review revealed no material amounts due or owed by the GDA.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

The GDA has contracted with its Sponsor to provide employee services and pay those employees. However, these contract services do not relieve the GDA of the obligation for remitting pension contributions. The retirement systems consider the GDA as the Employer-of-Record and the GDA ultimately responsible for remitting contributions to each of the systems noted below:

**A. School Employees Retirement System**

The GDA's Sponsor contributes on behalf of the GDA to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the GDA is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the GDA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2005, 10.57% of annual covered salary was the portion to fund pension obligations. For fiscal year 2004, 9.09% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The GDA's required contributions for pension obligations for the year ended June 30, 2005, were paid by the GDA's Sponsor.

**B. State Teachers Retirement System**

The GDA's Sponsor contributes on behalf of the GDA to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during the fifth year of membership unless they permanently select the DC or Combined Plan.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries and the GDA is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the GDA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The GDA's required contributions for pension obligations to STRS for the year ended June 30, 2005 were paid by the GDA's Sponsor.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The GDA provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The GDA's costs were paid by the GDA's Sponsor.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

**THE GOAL DIGITAL ACADEMY COMMUNITY SCHOOL  
MORROW COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. The GDA's costs were paid by the GDA's Sponsor.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The GDA is a component unit of the Sponsor (Mt. Gilead Exempted Village School District). The GDA and the Sponsor entered into a 5-year sponsorship agreement on September 4, 2002, whereby terms of the sponsorship were established. Pursuant to this agreement, the Sponsor's Treasurer serves as Center's fiscal officer.

In fiscal year 2005, payments were made by the School to the Sponsor totaling \$287,256. These represent payments for reimbursements for services provided by the Sponsor to the GDA. Also, at fiscal year end, the GDA had an outstanding payable to the Sponsor, in the amount of \$29,156.



**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***

GOAL Digital Academy Community School  
Morrow County  
145½ North Cherry Street  
P.O. Box 239  
Mount Gilead, Ohio 43338

To the Board of Education:

We have audited the basic financial statements of GOAL Digital Academy Community School, Morrow County, Ohio (the School), a component unit of Mount Gilead Exempted Village School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated February 1, 2006. 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 in order 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 February 1, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

GOAL Digital Academy Community School  
Morrow 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

February 1, 2006





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**GOAL DIGITAL ACADEMY**

**MORROW 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  
FEBRUARY 28, 2006**