



Dave Yost • Auditor of State

A. B. GRAHAM ACADEMY
CHAMPAIGN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

A.B. Graham Academy
Champaign County
370 E. Main Street
St. Paris, Ohio 43072

To the Board of Directors:

We have audited the accompanying basic financial statements of A. B. Graham Academy, Champaign County, Ohio (the Academy), a component unit of the Graham Local School District, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of A. B. Graham Academy, Champaign County, Ohio, as of June 30, 2011, and the respective 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.

As disclosed in Note 11, the Academy changed its capitalization threshold from \$500 to \$5,000 for the fiscal year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

August 30, 2011

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the A.B. Graham Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2011 are as follows:

- Total net assets were \$14,026, which is a decrease of \$40,327 from the restated balance of fiscal year 2010.
- Total assets at June 30, 2011 were \$68,982, a decrease of \$1,081 from the restated balance from one year prior.
- Liabilities totaled \$54,956, which is an increase from the \$15,710 reported for fiscal year 2010.
- Operating revenues equaled \$1,016,027 and non-operating revenues were \$169,980, which is an increase of \$117,148 and \$99,549, respectively from fiscal year 2010.
- Total operating expenses amounted to \$1,226,334. The total operating expenses increased from \$893,267 or 37.3%, from those reported the prior year.

Using this Annual Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, a statement of cash flows and a statement of fiduciary net assets. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the Academy's net assets, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the potential changes in the laws governing community schools in the State of Ohio will also need to be evaluated.

**A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Table 1 provides a summary of the Academy's net assets for fiscal year 2011 compared with fiscal year 2010:

**TABLE 1
NET ASSETS, JUNE 30,**

	2011	2010 (restated)
ASSETS:		
Other Assets	\$ 64,526	64,162
Capital Assets, Net	4,456	5,901
Total Assets	68,982	70,063
LIABILITIES:		
Current Liabilities	54,956	15,710
Total Liabilities	54,956	15,710
NET ASSETS:		
Invested in Capital Assets, net of related debt	4,456	5,901
Restricted for Specific Grant Programs	19,472	-
Unrestricted	(9,902)	48,452
Total Net Assets	\$ 14,026	54,353

Total assets were \$68,982 at June 30, 2011, which is a decrease of \$1,081 from June 30, 2010. The primary reason for the decrease was a decrease in net capital assets from the prior year due to depreciation expense.

Total liabilities were \$54,956, which consisted of intergovernmental payables and miscellaneous accounts payable items. The liabilities reported at the end of fiscal year 2011 were \$39,246 more than those reported for the prior year due to the increase of payables reported for fiscal year 2011.

The \$58,354 decrease in unrestricted net assets reported at June 30, 2011 compared to the prior year is mainly the result of the current year increase in current liabilities at the end of the year.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2011 compared with fiscal year 2010, as well as a listing of revenues and expenses.

TABLE 2
CHANGE IN NET ASSETS, JUNE 30,

	2011	2010
OPERATING REVENUES:		
Foundation Payments	\$ 1,016,027	894,487
Miscellaneous	-	4,392
NON-OPERATING REVENUES:		
Grants	169,379	69,574
Interest	601	857
Total Revenues	1,186,007	969,310
OPERATING EXPENSES:		
Purchased Services	1,068,377	804,464
Computer Equipment and Maintenance	96,507	1,499
Materials and Supplies	43,653	82,815
Miscellaneous	16,352	608
Depreciation	1,445	3,881
Total Expenses	1,226,334	893,267
Change in Net Assets	\$ (40,327)	76,043

The Academy's activities are funded primarily from the state foundation program which provides funding based on a per pupil formula. Unlike traditional schools within the State of Ohio, community schools receive no support from the local community in the form of property taxes. Therefore, intergovernmental revenues from the state foundation program and specific educational federal and state grants are the only consistent revenue sources for the Academy. Revenue from the foundation program increased from \$894,487 in fiscal year 2010 to \$1,016,027 in fiscal year 2011, due to an increase in the number of students served by the Academy. Revenue from the foundation program is 85.7% of total revenues received by the Academy. Intergovernmental revenue (foundation program plus federal and state educational specific grants) are 99.9% of the total revenues reported by the Academy. It is clear the Academy is financially dependent on the State of Ohio continuing to fund community schools in a consistent manner from one year to the next.

Operating expenses increased from \$893,267 in fiscal year 2010 to \$1,226,334 in fiscal year 2011, a 37.3% increase. The \$263,913 increase in purchased services expenses relates to the increase in purchases of individualized educational computer software for students as well as an increase in the payments for contractual employee services. Purchases of computer equipment and accessories, which did not meet the Academy's capitalization threshold, and maintenance agreements on computer equipment increased by \$95,008 compared to the prior year. Materials and supplies decreased \$39,162 from the prior year as the Academy being in its second year of operation limited the need to purchase as much instructional supplies in the current year.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Capital Assets

At June 30, 2011, the capital assets of the Academy consisted of \$7,226 of computer equipment off-set by \$2,770 in accumulated depreciation resulted in net capital assets of \$4,456. No capital assets were added during the current fiscal year. During the fiscal year, the Academy recorded depreciation expense of \$1,445.

See Note 4 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

Economic Factors

The Academy is currently operating at capacity and has already had to turn away students. The Academy will strive to continue its success in future years and will continuously look for ways to enhance the student learning process.

The Academy will continue to use space provided by the Sponsor in the Graham Local Schools Board of Education building.

The Academy's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

Contacting the Academy's Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Matthew Ketcham, Treasurer, at A.B. Graham Academy, 370 East Main Street, St. Paris, Ohio 43072 or email at ketcham@mccesc.k12.oh.us.

**A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO**
Statement of Net Assets
June 30, 2011

ASSETS:		
Cash	\$	41,847
Intergovernmental Receivables		22,679
Capital Assets:		
Capital Assets, net of accumulated depreciation		<u>4,456</u>
Total Assets		<u>68,982</u>
LIABILITIES:		
Accounts Payable		5,538
Intergovernmental Payable		<u>49,418</u>
Total Liabilities		<u>54,956</u>
NET ASSETS:		
Invested in Capital Assets, net of related debt		4,456
Restricted for Specific Grant Programs		19,472
Unrestricted		<u>(9,902)</u>
Total Net Assets	\$	<u>14,026</u>

See accompanying notes to the basic financial statements.

**A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO**
Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

OPERATING REVENUES:

Foundation Payments \$ 1,016,027

Total Operating Revenues 1,016,027

OPERATING EXPENSES:

Purchased Services 1,068,377

Computer Equipment and Maintenance 96,507

Materials and Supplies 43,653

Miscellaneous 16,352

Depreciation 1,445

Total Operating Expenses 1,226,334

Operating Loss (210,307)

NON-OPERATING REVENUES:

Grants 169,379

Interest 601

Total Non-Operating Revenues 169,980

Change in Net Assets (40,327)

Net Assets, Beginning of Year (restated) 54,353

Net Assets, End of Year \$ 14,026

See accompanying notes to the basic financial statements.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Foundation Payments	\$ 1,020,292
Cash Payments for Goods and Services	(1,169,291)
Other Expenses	<u>(16,352)</u>
Net Cash Used by Operating Activities	<u>(165,351)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grants Received	<u>146,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	<u>601</u>
Net Decrease in Cash	(18,050)
Cash, Beginning of Year	<u>59,897</u>
Cash, End of Year	<u>\$ 41,847</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ <u>(210,307)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	1,445
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivables Affecting Operating Revenues	4,265
Increase in Accounts Payable	1,907
Increase in Intergovernmental Payable	<u>37,339</u>
Total Adjustments	<u>44,956</u>
Net Cash Used by Operating Activities	<u>\$ (165,351)</u>

See accompanying notes to the basic financial statements.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,990</u>
Total Assets	<u><u>1,990</u></u>
LIABILITIES:	
Due to Students	<u>1,990</u>
Total Liabilities	\$ <u><u>1,990</u></u>

See accompanying notes to the basic financial statements.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30 2011

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The A.B. Graham Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the Graham Local School District ("the Sponsor") for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy is a newly formed charter conversion school that provides instruction through traditional approaches (classroom based instruction, tutoring, etc.), as well as innovative non-classroom based experiences (community service, travel, internships, internet-based coursework, etc.).

The Academy was approved for operation under contract with the Sponsor until superseded by a mutually agreed upon service agreement commencing October 26, 2009. The Sponsor reserves the right to terminate this agreement with a 90-day notice to the Academy. The Sponsor provided and maintained space at its Board of Education Office at no cost for the Academy during fiscal year 2011.

The Academy operates under the direction of a seven-member Board of Directors appointed by the Sponsor. The Board consists of five voting members who are not employed by the sponsor and 2 non-voting members who hold administrative positions with the Sponsor. The Board of Directors is responsible for carrying out 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.

In fiscal year 2010, a service contract was approved between the Academy and the Sponsor for a five year period ending June 30, 2015. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. According to the contract, the total amount of these services is reimbursed for actual expenses incurred by the Sponsor. The Academy paid the Sponsor \$511,311 during fiscal year 2011 for these services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy's personnel services were purchased from outside organizations during fiscal year 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its proprietary activities, subject to the same limitation. The Academy has elected not to apply these FASB Statements and Interpretations. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, a statement of cash flows and a statement of fiduciary net assets.

Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the full accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor requires the Academy to prepare a five-year annual budget detailing revenues and expenses.

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold to include all assets over \$5,000 with a useful life of more than one year. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of office equipment and computers are computed using the straight-line method over estimated useful lives of five years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists, of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Academy.

All revenues and expenses not meeting these definitions are reported as non-operating.

I. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30 2011

J. Grants

Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

K. Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Academy does not have a policy addressing custodial credit risk for its deposits. As of June 30, 2011, the Academy's bank balance of \$43,837 was covered by federal depository insurance of the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Restated Balance <u>6/30/2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2011</u>
<u>Capital Assets, being depreciated:</u>				
Office Equipment and Computer	\$ 7,226	-	-	7,226
Less: Accumulated Depreciation	<u>(1,325)</u>	<u>(1,445)</u>	<u>-</u>	<u>(2,770)</u>
Capital Assets, net	<u>\$ 5,901</u>	<u>(1,445)</u>	<u>-</u>	<u>4,456</u>

During the fiscal year 2010, the Academy began making payments on a copier lease that was originally entered into by Graham Digital Academy in April 2008. No legal action was taken to put the lease in the name of A.B. Graham Academy. As a result, the asset and related liability remain with Graham Digital Academy. Lease payments made during the current fiscal year by A.B. Graham Academy were \$3,408.

The beginning balances for fiscal year 2011 were restated. See Note 11 for further discussion.

**A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30 2011*

NOTE 5 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Academy contracted with the Philadelphia Indemnity Insurance Company for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage and the Insurance Company of the State of Pennsylvania (as part of the Arthur J Gallagher School Risk Purchasing Group, LLC) for excess liability coverage. Coverage provided through these companies is as follows:

Philadelphia Indemnity Insurance Company

Property, including electronic data processing and business content damage.	\$ 71,472
Crime and employee dishonesty (each and every loss)	500,000
Liability:	
General and employee benefits liability:	
Per occurrence	\$ 1,000,000
Aggregate annual total	2,000,000
Automobile and school board legal	1,000,000
Sexual abuse/molestation liability	
Per occurrence	1,000,000
Aggregate limit	2,000,000

Insurance Company of the State of Pennsylvania

Liability:	
Umbrella/excess liability (per occurrence and aggregate)	\$ 5,000,000

Settled claims have not exceeded commercial coverage in any of the past two fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

NOTE 6 – AGREEMENTS WITH THE TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The Academy entered into agreements with the Tri-Rivers Educational Computer Association ("TRECA"), which is a data acquisition site and member of the Ohio Education Computer Network established in accordance with Ohio Revised Code Section 3301.075.

On May 18, 2010, the Academy entered into a Comprehensive Services Agreement with TRECA. This agreement's term includes the 2010-2011 school year. Pursuant to this agreement, TRECA provided specifically contracted planning, instructional, supervisory/administrative, and technical services sufficient to substantially implement the Academy's assessment and accountability plan set forth in the contract with its Sponsor.

All personnel providing services to the Academy on behalf of TRECA under the Comprehensive Services Agreement are considered employees of TRECA, and TRECA shall be solely responsible for all payroll functions.

The technical services provided by TRECA to the Academy includes access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel. The Academy is responsible for recovering and returning to TRECA any such equipment provided to students by TRECA and not promptly returned to TRECA by a student upon graduation, withdrawal, or expulsion from the Academy. In the event that the Academy is unable to recover such equipment or the equipment is recovered in other than good working condition, the Academy shall reimburse TRECA for the costs of such equipment in the amount of \$600 per student.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30 2011

The Academy paid TRECA a fee of \$3,900 per full-time student for the 2010-2011 school year. For fiscal year 2011, this amounted to \$28,325.

The Academy also contracted with TRECA for services in connection with students who are disabled or suspected disabled as defined by the agreement. The fee is \$500 per student per academic year for students receiving Tier One Enhancement Services and a range of \$1,500 to \$23,000 per student per academic year depending upon the handicap. The Tier Enhancement Services are defined within the contract between the Academy and TRECA. This totaled \$4,432 in fiscal year 2011. Total purchased services paid to TRECA in fiscal year ended June 30, 2011 were \$32,757.

NOTE 7 – CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the school. 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. This information was not available as of the date of this report. The Academy does not anticipate any material adjustments to state funding for fiscal year 2011, as a result of such review.

NOTE 8 – FEDERAL TAX-EXEMPT STATUS

In accordance with the options granted under existing Ohio law and the Academy's relationship with Graham Local School District, the Academy is considered a governmental entity not subject to tax and is not required to file for not-for-profit tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code.

NOTE 9 – FISCAL AGENT AND ADMINISTRATIVE SERVICES

The Academy utilizes the services of the Madison-Champaign Educational Service Center for a variety of services including its Treasurer as the Academy's fiscal officer. The Academy does not directly pay the Treasurer or other individuals; however, it does reimburse the Madison-Champaign Educational Service Center for the services.

NOTE 10 – PURCHASED SERVICES

During the year ended June 30, 2011, purchased service expenses totaling \$1,068,377 were provided for services rendered by various vendors for fiscal services, data processing and professional and technical services in the amount of \$14,744, \$89,708 and \$963,925, respectively.

A.B. GRAHAM ACADEMY
CHAMPAIGN COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30 2011

NOTE 11 – RESTATEMENT OF BEGINNING BALANCE

During fiscal year 2011, the Academy changed its capitalization threshold from \$500 to \$5,000. As a result, the beginning balance of net assets requires the following restatement:

Net assets reported at 06/30/2010	\$ 76,043
Change in capitalization threshold net of accumulated depreciation	<u>(21,690)</u>
Restated net assets at 07/01/2010	<u>\$ 54,353</u>

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Dave Yost • Auditor of State

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

A.B. Graham Academy
Champaign County
370 E. Main Street
St. Paris, Ohio 43072

To the Board of Directors:

We have audited the financial statements of the A. B. Graham Academy, Champaign County, (the Academy) as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated August 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated August 30, 2011.

A.B. Graham Academy
Champaign County
Independent Accountants' Report On Internal Control Over
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We intend this report solely for the information and use of management, the Board of Directors, the Community School's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

August 30, 2011



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

A. B. Graham Academy
Champaign County
370 E. Main Street
St. Paris, Ohio 43072

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether A. B. Graham Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 6, 2011, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the Academy's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 30, 2011

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Dave Yost • Auditor of State

AB GRAHAM ACADEMY

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 20, 2011**