



Dave Yost • Auditor of State

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Urbana Community School, Champaign County, Ohio (the School), a component unit of Urbana City School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2.B describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the Urbana Community School, Champaign County, Ohio, a component unit of Urbana City School District, as of June 30, 2017, and the change in cash financial position thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.B.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 10 to the financial statements, the School ceased operations on June 30, 2017. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 8, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The discussion and analysis of the Urbana Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, the School's net position was \$675,650 at June 30, 2017.
- The School had operating receipts of \$281,335 and operating disbursements of \$296,579 for fiscal year 2017.
- The School also received \$6,134 non-operating receipts during fiscal year 2017.
- Total change in net position for fiscal year 2017 was a decrease of \$9,110, from a beginning balance of \$684,760 to a balance of \$675,650.
- The School ceased operations effective June 30, 2017 (see Note 10 to the notes to the basic financial statements for detail).

Using the Basic Financial Statements

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

Reporting the School's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did the School perform financially during 2017?" The statement of net position – cash basis and statement of receipts, disbursements, and change in net position – cash basis answer this question. These statements include only the School's net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the financial statements can be found on pages 9 - 15 of this report.

The table below provides a summary of the School's net position for fiscal years 2017 and 2016.

	Net Position	
	2017	2016
<u>Assets</u>		
Current assets	\$ 675,650	\$ 684,760
Total assets	675,650	684,760
<u>Net Position</u>		
Unrestricted	675,650	684,760
Total net position	\$ 675,650	\$ 684,760

Over time, net position can serve as a useful indicator of a government's financial position. Total net position of the School decreased \$9,110, which represents a 1.33% decrease from the School's net position at June 30, 2016.

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

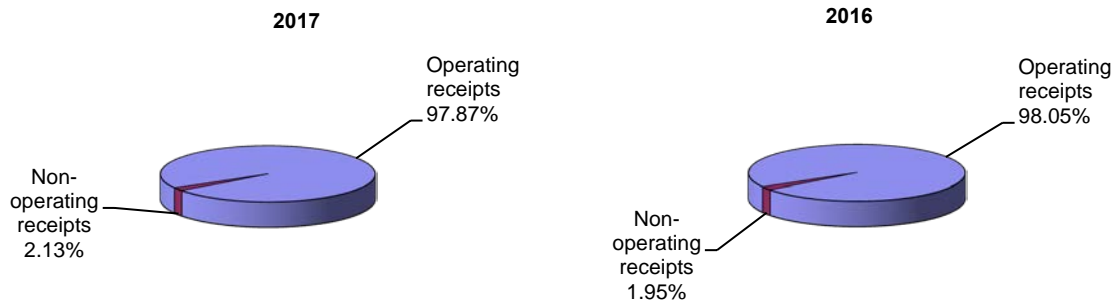
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

The table below shows the changes in net position for fiscal year 2017 and 2016.

	Changes in Net Position	
	2017	2016
<u>Operating Receipts:</u>		
State foundation	\$ 281,335	\$ 286,960
Total operating receipts	281,335	286,960
<u>Operating Disbursements:</u>		
Purchased services	296,579	304,801
Other operating expenses	-	13
Total operating disbursements	296,579	304,814
<u>Non-operating receipts:</u>		
Unrestricted state grants	2,471	1,782
Interest income	3,663	3,918
Total non-operating receipts	6,134	5,700
Change in net position	(9,110)	(12,154)
Net position at beginning of year	684,760	696,914
Net position at end of year	\$ 675,650	\$ 684,760

State foundation receipts decreased \$5,625 or 1.96% from 2016 and the School received \$2,471 in unrestricted state grants during 2017. Purchased services disbursements decreased \$8,222 or 2.69% and other operating expenses decreased \$13. In total, the 2017 fiscal year end net position of the School decreased 1.33% from the fiscal year end 2016. This slight decrease is due to the disbursements being more than the receipts during the current fiscal year.

The charts below illustrate the receipts for the School during fiscal years 2017 and 2016.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Current Financial Related Activities

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

The School was initially approved under contract with the Sponsor for the period of five years commencing July 1, 2003. A new four-year agreement was approved in September of 2013 to run through June 30, 2017. The School began operations on July 1, 2004. In April of 2017, both the Board of Directors of the Community School and the Board of Education of the Urbana City School District passed a resolution to cease the operations of the Urbana Community School as of June 30, 2017.

Contacting the School's Financial Management

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

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

Assets:

Current assets:

Equity in pooled cash and cash equivalents \$ 675,650

Total current assets 675,650

Net position:

Unrestricted. 675,650

Total net position \$ 675,650

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

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

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating receipts:	
State foundation	\$ 281,335
Total operating receipts	281,335
Operating disbursements:	
Purchased services.	296,579
Total operating disbursements.	296,579
Operating loss.	(15,244)
Non-operating receipts:	
Unrestricted state grants	2,471
Interest income.	3,663
Total non-operating receipts	6,134
Change in net position	(9,110)
Net position at beginning of year.	684,760
Net position at end of year	\$ 675,650

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL

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

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

The School was initially approved under contract with the Sponsor for the period of five years commencing July 1, 2003. A new four-year agreement was approved in September of 2013 to run through June 30, 2017. The School began operations on July 1, 2004. In April of 2017, both the Board of Directors of the Community School and the Board of Education of the Urbana City School District passed a resolution to cease the operations of the Urbana Community School as of June 30, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School's accounting policies.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

B. Basis of Accounting

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

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code §5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires the School to prepare a five-year annual budget detailing revenues and expenses. The five-year projection is also required by Ohio Revised Code §5705.391.

D. Cash and Cash Equivalents

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

E. Capital Assets and Depreciation

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

F. Operating Receipts and Disbursements

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Receipts

The School currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the School. Foundation program receipts for the fiscal year 2017 amounted to \$281,335.

Grants and entitlements are recognized as non-operating receipts in the accounting period in which they are received. During 2017, the School received \$2,471 in unrestricted grants from the State of Ohio.

H. Net Position

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the School has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the School.

B. Compliance

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

At June 30, 2017, the carrying amount of the School's deposits was \$675,650. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2017, \$425,650 of the School's bank balance of \$675,650 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5 - COMPREHENSIVE SERVICES AGREEMENT WITH META SOLUTIONS

The School contracted with META Solutions (META) for the period July 1, 2016 through June 30, 2017. Under the contract, the following terms were agreed upon:

1. META shall provide the School with instructional services sufficient to substantially implement the School's educational plan and the School's assessment and accountability plan.
2. All personnel providing services to the School on behalf of META under the agreement shall be employees of META and META shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
3. The School shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the School.
4. Curricular services provided by META shall be limited to the standardized curriculum developed by META.
5. The School shall pay to META \$3,000 per full-time student enrolled in the School per year for comprehensive services. Additional service packages may be provided on such terms as are agreed to by the parties.

During fiscal year 2017, the School paid \$106,786 to META for services.

To obtain META's audited June 30, 2017 financial statements; please contact David Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

NOTE 6 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. In fiscal year 2017, the School held its own general liability policy.

NOTE 7 - PURCHASED SERVICES

For fiscal year ended June 30, 2017, disbursements for purchased services were as follows:

META services	\$ 106,786
Sponsor services	183,429
Other services	<u>6,364</u>
Total	<u>\$ 296,579</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8 - CONTINGENCIES

A. Grants

The School received financial assistance from State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2017.

B. State Foundation Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information, as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017. See Note 10 for details about the School's FTE Review.

C. Litigation

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

NOTE 9 - FISCAL AGENT

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 10 – SUBSEQUENT EVENT / CEASE OPERATIONS

The School ceased operations on June 30, 2017 based on a resolution passed by the Board of Directors of the School and Urbana City School District during fiscal year 2017. The School has followed the closing procedures prescribed by the Ohio Department of Education (ODE). Those procedures include, among others, official notification to ODE, the students, and the community of the School's decision to close. The School's assets were provided to the Sponsor, Urbana City School District. Subsequent to June 30, 2017, the School had cash receipts of \$3,528 and cash disbursements of \$310,601, resulting in a cash balance, as of May 8, 2018 of \$368,577. Cash disbursements consisted of payments for financial, accounting, and sponsor services. The School had outstanding audit fees in the amount of \$1,271. All remaining audit fees will be remitted to the Ohio Auditor of State and all remaining cash will be provided to the Ohio Department of Education.

A final closing full time equivalency (FTE) review was completed for the Urbana Community School by representatives of the Ohio Department of Education (ODE) on May 17, 2017 for the 2016-2017 school year. The School received more funds than the final student data supported. The School returned \$103,273.94 in Foundation funds to ODE during September 2017.

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Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the Urbana Community School, Champaign County, (the School), a component unit of Urbana City School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 8, 2018, wherein we noted the School uses a special purpose framework other than generally accepted accounting principles. We also noted the School ceased operations on June 30, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

School's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 8, 2018

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Financial Reporting

Noncompliance

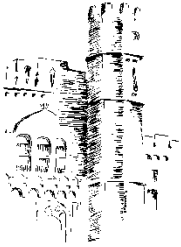
Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code § 117-2-03(B) requires the School to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2017, the School prepared financial statements that, although formatted similarly to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows, 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 have prepared the annual financial statements according to generally accepted accounting principles to provide users with more meaningful financial statements. The School ceased operations as of June 30, 2017.

Officials' Response:

The Board of Directors and management of the School are knowledgeable concerning the required reporting format and the similarities and differences from the required reporting format and the other comprehensive basis of accounting (OCBOA) incorporated by the School. The sponsor, Urbana City School District, utilizes OCBOA reporting. As Urbana Community School is a component unit of the Urbana City School District, personnel determined reporting on a like basis to be in the best interest of the School at this time.



Urbana Community Schools

Dedicated to Excellence

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Charles Thiel
Superintendent

Larry Nickels
Director

Mandy Hildebrand
Treasurer

URBANA COMMUNITY SCHOOL CHAMPAIGN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code §117.38 and Ohio Admin. Code §117-2-03(B) – Failure to file the annual financial report according to generally accepted accounting principles (GAAP)	Not Corrected	Repeated as Finding 2017-001 The Board of Directors and management of the School are knowledgeable concerning the required reporting format and the similarities and differences from the required reporting format and the other comprehensive basis of accounting (OCBOA) incorporated by the School. The sponsor, Urbana City School District, utilizes OCBOA reporting. As Urbana Community School is a component unit of the Urbana City School District, personnel determined reporting on a like basis to be in the best interest of the School at this time.
2016-002	Ohio Rev. Code § 3314.08(H) – Full-Time Equivalent (FTE) Reporting in EMIS	Finding No Longer Valid	The School used time of log-in and log-out sheets and accounted for any overlapping times to determine actual time logged in to the computer system. The minutes of time logged in were converted to hours and then to percent FTE, which was entered into the student information system for FTE reporting. ODE completed final FTE review.
2016-003	Ohio Rev. Code § 3314.03(A)(23) and Ohio Rev. Code § 3314.02(A)(7) – Sponsorship Contract	Finding No Longer Warranting Further Action	Sponsorship contract expired as of 6/30/17 and the school dissolved.



Dave Yost • Auditor of State

URBANA COMMUNITY SCHOOL

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 15, 2018