



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 21, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Urbana Community School, Champaign County, (the School), a component unit of the Urbana City School District, as of and for the year ended June 30, 2006, 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 that 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 Urbana Community School, as of June 30, 2006, and the changes in its 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 January 5, 2007, 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 and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

January 5, 2007

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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, 2006. 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 2006 are as follows:

- In total, net assets were \$235,310 at June 30, 2006.
- The School's total assets were \$350,509 and total liabilities were \$115,199.
- The School had operating revenues of \$339,503 and operating expenses of \$183,903 for fiscal year 2006.
- The School also received \$3,000 in federal and state grants during the year and \$1,434 in interest revenue.
- Total change in net assets for fiscal year 2006 was an increase of \$160,034. This increase is primarily due to increased foundation revenue from improved enrollments.

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

Reporting the School's 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 2006?" 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 School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *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.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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

The table below provides a summary of the School's net assets for fiscal years 2006 and 2005.

	Net Assets	
	<u>2006</u>	<u>2005</u>
Assets		
Current assets	<u>\$350,509</u>	<u>\$244,146</u>
Total assets	<u>350,509</u>	<u>244,146</u>
Liabilities		
Current liabilities	<u>115,199</u>	<u>168,870</u>
Total Liabilities	<u>115,199</u>	<u>168,870</u>
Net Assets		
Restricted	6,000	3,000
Unrestricted	<u>229,310</u>	<u>72,276</u>
Total net assets	<u><u>\$235,310</u></u>	<u><u>\$75,276</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School's net assets totaled \$235,310. A portion of the School's net assets, \$6,000, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$229,310 may be used to meet the School's ongoing obligations.

The table below shows the changes in net assets for fiscal year 2006 and 2005.

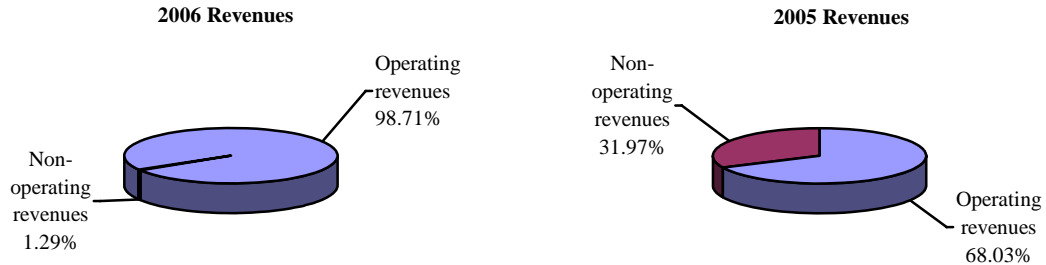
Change in Net Assets

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
State foundation	<u>\$339,503</u>	<u>\$230,236</u>
Total operating revenue	<u>339,503</u>	<u>230,236</u>
Operating Expenses:		
Purchased services	175,609	259,766
Materials and supplies	8,294	1,725
Capital outlay		1,667
Total operating expenses	<u>183,903</u>	<u>263,158</u>
Non-operating revenues:		
Federal and state grants	3,000	108,000
Interest income	<u>1,434</u>	<u>198</u>
Total non-operating revenues	<u>4,434</u>	<u>108,198</u>
Change in net assets	<u><u>\$160,034</u></u>	<u><u>\$75,276</u></u>

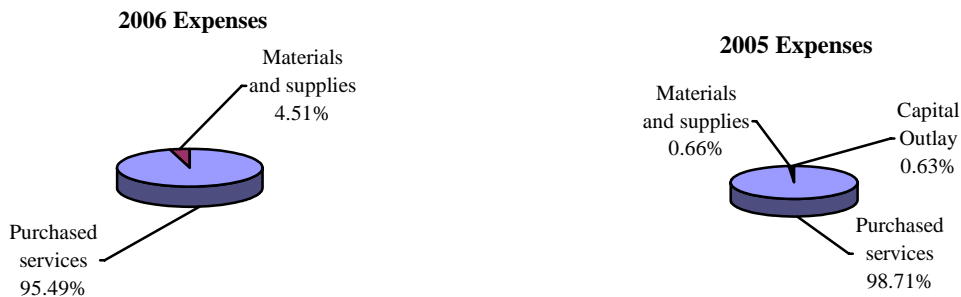
**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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

The charts below illustrates the revenues for the School during fiscal years 2006 and 2005.



The charts below illustrate the expenses for the School for fiscal years 2006 and 2005.



Net Assets increased \$160,034 in 2006 from 2005 for the following factors:

- State Foundation revenue increased \$109,267 or 47.6% given the fact enrollment increased.
- Purchased services decreased by \$84,157 or 32.4% due to occurrence of significant creation agreement costs with Urbana City Schools and TRECA.
- Federal and State Grants revenue decreased \$105,000 or 97.2% since start up grants were received in prior years.

Current Financial Related Activities

The School is sponsored by Urbana City School District. The School is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, online learning to students.

In order to continually provide online learning opportunities to the School's students, the School will apply for other State and Federal funds that are made available.

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. Londa Schwierking, Treasurer, Urbana Community School, 711 Wood Street, Urbana, OH 43078.

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URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets:

Current assets:

Equity in pooled cash and cash equivalents \$350,509

Total assets 350,509

Liabilities:

Due to other governments 115,199

Total liabilities 115,199

Net Assets:

Restricted for:

State funded programs 6,000

Unrestricted 229,310

Total net assets \$235,310

See accompanying notes to the basic financial statements.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Operating revenues:

State foundation	\$339,503
Total operating revenue	<u>339,503</u>

Operating expenses:

Purchased services	175,609
Materials and supplies	8,294
Total operating expenses	<u>183,903</u>

Operating income	<u>155,600</u>
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Non-operating revenues:

Federal and state grants	3,000
Interest income	1,434
Total non-operating revenues	<u>4,434</u>

Change in net assets	160,034
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Net assets at beginning of year	<u>75,276</u>
Net assets at end of year	<u><u>\$235,310</u></u>

See accompanying notes to the basic financial statements.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Cash flows from operating activities:	
Cash received from State foundation	\$357,571
Cash payments to suppliers for goods and services	<u>(172,183)</u>
Net cash provided by operating activities	<u>185,388</u>
Cash flows from noncapital financing activities:	
Federal and state grants	<u>3,000</u>
Net cash provided by noncapital financing activities	<u>3,000</u>
Cash flows from investing activities:	
Interest received	<u>1,434</u>
Net cash provided by investing activities	<u>1,434</u>
Net increase in cash and cash equivalents	189,822
Cash and cash equivalents at beginning of year	<u>160,687</u>
Cash and cash equivalents at end of year	<u><u>350,509</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
operating activities:	
Operating income	155,600
Changes in assets and liabilities:	
Decrease in due to other governments	(53,671)
Decrease in due from other governments	<u>83,459</u>
Net cash provided by operating activities	<u><u>\$185,388</u></u>

See accompanying notes to the basic financial statements.

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**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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

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 Schools' 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 offers students the choice of on-line or correspondence schooling. 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.

The School was approved under contract with the Sponsor for a period of five years commencing July 1, 2003. The School began operations on July 1, 2004.

The School operates under the direction of an eight-member (seven voting members) Board of Directors made up of:

- a. Four persons employed and serving in administrator positions within the Sponsor's District, including the Superintendent, Curriculum Director, Director of Business Affairs, and High School Principal. Each of the foregoing administrators serves on the Board of Directors in his/her official capacity as a representative of the Sponsor's Board of Education and its interests.
- b. One person of whom shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of the School.
- c. One person who is neither an officer nor employee of the Sponsor and is a person who represents the interest of parents and students served by the School.
- d. The final person is a community member and parent of student(s) enrolled in the Sponsor School District.
- e. The Sponsor's Treasurer as a non-voting ex officio member of the Board of Directors. The Treasurer shall serve the Board of Directors in his/her official capacity as a representative of the Sponsor and Sponsor's interests.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School 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 School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The School has elected not to apply these FASB Statements and Interpretations. The School's significant accounting policies are described below.

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 (expenses) of 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

Enterprise fund 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. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net 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 used 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 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 Section 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 Assets as "Equity in Pooled Cash and Cash Equivalents".

E. Capital Assets and Depreciation

Capital assets are capitalized at (cost or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market value as of the date donated. The School maintains a capitalization threshold of \$500. The School 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. The School does not have any assets over the threshold at June 30, 2006.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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

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

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first 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. Federal and state grants for the fiscal year 2006 received by the School was \$3,000.

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.

3. EQUITY IN POOLED CASH AND INVESTMENTS

At June 30, 2006, the carrying amount of the School's deposits was \$350,509. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$250,509 of the School's bank balance of \$350,509 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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.

4. COMPREHENSIVE SERVICES AGREEMENT WITH TRECA

The School entered into a one-year contract on November 29, 2005, for fiscal year 2006, with Tri-Rivers Education Computer Association (TRECA). Under the contract, the following terms were agreed upon:

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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

4. COMPREHENSIVE SERVICES AGREEMENT WITH TRECA (Continued)

1. TRECA shall provide the School with instructional, supervisory/administrative, and technical services sufficient to effectively implement the School's educational plan and the School's assessment and accountability plan.
2. All personnel providing services to the School on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
3. The technical services provided by TRECA to the School shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
4. 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.
5. Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
6. The School shall pay to TRECA \$3,600 per full-time student enrolled in the School per year. Part time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2006, \$83,123 was paid to TRECA.

To obtain TRECA's audited June 30, 2006 financial statements, please contact Scott Armstrong at scott@treca.org.

5. AGREEMENT WITH AMERICAN CORRESPONDENCE SCHOOL

In addition to providing students with online technology classes, the School also permits students to enroll in the American Correspondence School (Correspondence School), in which students perform educational duties through mail correspondence. The School incurs the tuition costs for students enrolled in the Correspondence School and the tuition is not reimbursed by the students. For fiscal year 2006, \$11,251 was paid to the Correspondence School.

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. For fiscal year 2006, the School was named on the Sponsor's policy for property and general liability insurance.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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

7. PURCHASED SERVICES

For fiscal year ended June 30, 2006, purchased services expenses were as follows:

TRECA Services	\$83,123
Sponsor Services	38,754
Director's Expense	42,481
American Correspondence School	<u>11,251</u>
Total	<u><u>\$175,609</u></u>

8. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2006.

B. State Foundation Funding

The Ohio Department of Education conducts review 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 conclusions of this review resulted in overpayment to the School in the amount of \$14,609. The amount will be adjusted on future settlements and is included in Due to Other Governments liability.

C. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Urbana Community School District is not presently determinable.

9. FISCAL AGENT

The School utilizes the services of the Urbana City School District Treasurer as their fiscal officer. The School does not directly pay the Treasurer; however, it does reimburse the District for her services.

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**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***

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

To the Board of Directors:

We have audited the financial statements of the Urbana Community School, Champaign County, (the School), a component unit of Urbana City School District, as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated January 5, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We intend this report solely for the information and use of the management and 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

January 5, 2007

URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code 3317.022(C)(5) states in part: "In any fiscal year, a school district shall spend for purposes that the department designates as approved for special education and related services expenses at least the amount" Ohio Department of Education (ODE) calculates using the weighted funding formula.

The required spending amount, as calculated by ODE was \$82,590. The amounts reported on the accounting system were not enough to meet the spending requirements that ODE prescribes. The District should familiarize itself with these compliance requirements.

Officials Response:

In regards to the accounting for special education weighted funds accounting, here are the facts as I know it:

We did not post correctly the special education payments to TRECA and reimbursements to Urbana City Schools in the proper USAS special education accounting codes. This caused an understatement of our expenses on the 4502. This was corrected before December 1, 2006, to \$53,566.15.

This revised amount does not meet the required spending, as calculated by the Ohio Department of Education (ODE). We do not believe the amounts calculated by ODE are correct. We have contacted the Special Education, Information Technology, and Community Schools representatives at ODE, as well as our own Computer Consortium (WOCO) to attempt to resolve the problem.

We have examined our EMIS data, and the 11.5 special education students that we had at the end of the FY06 school year each had a full schedule listed in the course master data. Some classes were special education and some were regular education. Based on this, I believe the state special education extraction program is not extracting the data correctly. I need to have this problem corrected before the end of this school year, so that the problem will not continue. I intend to follow up again with ODE to try to resolve the problem.

We have corrected the USAS posting errors for this school year, and there should be no problems with the financial postings. We need to find the extract data for the weighted funds to get that corrected, but no one seems to have that information.

URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Unrecorded Financial Activity related to financial activity of the community school that was reported by the sponsoring school.	Yes	



Mary Taylor, CPA
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
MARCH 15, 2007**