



Dave Yost • Auditor of State



**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Auglaize Special Needs School  
Auglaize County  
1045 Dearbaugh Avenue  
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the accompanying financial statements of the Auglaize Special Needs School, Auglaize County, Ohio (the Community School), as of and for the year ended June 30, 2010, which collectively comprise the Community School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Community School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the Community School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

As disclosed in Note 9, on May 9, 2009, the Board of Directors of the Community School, voted to permanently close the Auglaize Special Needs School as of June 30, 2009 due to declining enrollment.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Auglaize Special Needs School, Auglaize County, Ohio, as of June 30, 2010, and the respective changes in cash financial position, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, on our consideration of the Community 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.

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 "D" and "Y".

**Dave Yost**  
Auditor of State

March 25, 2011

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

The discussion and analysis of Auglaize Special Needs School (Community School) financial performance provides an overall review of Community School's financial activities for the year ended June 30, 2010, within the limitations of the cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Community School's financial performance. The Community School discontinued operations as of June 30, 2009.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Community School's cash basis of accounting.

The Community School has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the Community School's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Table 1 provides a summary of the Community School's net assets for fiscal year 2010 and fiscal year 2009:

| <b>Table 1</b>     |             |             |               |
|--------------------|-------------|-------------|---------------|
| <b>Net Assets</b>  |             |             |               |
|                    | <b>2010</b> | <b>2009</b> | <b>Change</b> |
| <b>Assets:</b>     |             |             |               |
| Current Assets     | \$64,355    | \$134,761   | (\$70,406)    |
| <b>Net Assets:</b> |             |             |               |
| Restricted         | 5,241       | 5,241       |               |
| Unrestricted       | 59,114      | 129,520     | (70,406)      |
| Total Net Assets   | \$64,355    | \$134,761   | (\$70,406)    |

Net assets decreased in fiscal year 2010. The Board of Directors passed a resolution to close operations effective June 30, 2009. The Community School began the necessary close out procedures in fiscal year 2010. No additional revenue was received during fiscal year 2010, but the Community School did have expenditures related to close out procedures.

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

**Table 2  
Change in Net Assets**

|                                 | <b>2010</b> | <b>2009</b> | <b>Change</b> |
|---------------------------------|-------------|-------------|---------------|
| <b>Operating Receipts:</b>      |             |             |               |
| Foundation                      |             | \$807,780   | (\$807,780)   |
| <b>Non-Operating Receipts:</b>  |             |             |               |
| Interest                        | \$ 191      | 1,116       | (925)         |
| Sale of Capital Assets          | 4,000       |             | 4,000         |
| Grants                          |             | 7,076       | (7,076)       |
| Total Non-Operating Receipts    | 4,191       | 8,192       | (4,001)       |
| Total Receipts                  | 4,191       | 815,972     | (811,781)     |
| <b>Operating Disbursements:</b> |             |             |               |
| Purchased Services              | 35,546      | 762,471     | 726,925       |
| Materials and Supplies          | 377         | 74,997      | 74,620        |
| Other                           |             | 100         | 100           |
| Capital Outlay                  |             | 504         | 504           |
| Total Operating Disbursements   | 35,923      | 838,072     | 802,149       |
| <b>Extraordinary Item:</b>      |             |             |               |
| Closeout Costs                  | 38,674      |             | (38,674)      |
| Total Disbursements             | 74,597      | 838,072     | 763,475       |
| Decrease in Net Assets          | (70,406)    | (22,100)    | (48,306)      |
| Net Assets at Beginning of Year | 134,761     | 156,861     | (22,100)      |
| Net Assets at End of Year       | \$64,355    | \$134,761   | (\$ 70,406)   |

The Community School discontinued operations on June 30, 2009. No foundation payments were received during fiscal year 2010. The Community School sold capital assets during fiscal year 2010 as part of the requirement of ceasing operations.

The majority of purchased services disbursements were for the payment of fiscal year 2009 sponsorship services to the Auglaize County Educational Service Center, which were paid in July 2009.

**Budgeting**

The Community School is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**Current Issues**

The Community School is in the final procedures to close the operations of the Community School. Upon completion of the audit, Community School will make the final distribution of the remaining cash.

**Contacting the Community School's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Community School's finances and to reflect ASN's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kristy L. Weeks, Treasurer, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.



**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010**

**Assets:**

**Current Assets:**

|                                            |                 |
|--------------------------------------------|-----------------|
| Equity in Pooled Cash and Cash Equivalents | <u>\$64,355</u> |
|--------------------------------------------|-----------------|

**Net Assets:**

|                               |       |
|-------------------------------|-------|
| Restricted for Other Purposes | 5,241 |
|-------------------------------|-------|

|              |               |
|--------------|---------------|
| Unrestricted | <u>59,114</u> |
|--------------|---------------|

|                  |                 |
|------------------|-----------------|
| Total Net Assets | <u>\$64,355</u> |
|------------------|-----------------|

*See accompanying notes to the basic financial statements.*

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN NET ASSETS  
CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

|                                 |                        |
|---------------------------------|------------------------|
| <b>Operating Disbursements:</b> |                        |
| Purchased Services              | \$35,546               |
| Materials and Supplies          | 377                    |
| Total Operating Disbursements   | <u>35,923</u>          |
| <br>                            |                        |
| Operating Loss                  | (35,923)               |
| <br>                            |                        |
| <b>Non-Operating Receipts:</b>  |                        |
| Interest Revenue                | 191                    |
| Sale of Capital Assets          | 4,000                  |
| Total Non-Operating Receipts    | <u>4,191</u>           |
| <br>                            |                        |
| <b>Extraordinary Item:</b>      |                        |
| Closeout Costs                  | <u>(38,674)</u>        |
| <br>                            |                        |
| Change in Net Assets            | (70,406)               |
| <br>                            |                        |
| Net Assets at Beginning of Year | 134,761                |
| Net Assets at End of Year       | <u><u>\$64,355</u></u> |

*See accompanying notes to the basic financial statements.*

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE SCHOOL**

Auglaize Special Needs School (Community School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Community School's objective is to provide a special education program for kindergarten through twelfth grade for multiple handicapped, emotionally disturbed, and autistic students. The Community School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Community School may acquire facilities as needed and contract for any services necessary for the operation of the Community School.

The Community School was approved for operation under a contract with the Auglaize County Educational Service Center for a five-year period commencing on the first day of the 2003 academic year. The Community School became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008; however, the Sponsor later passed a resolution to discontinue operations effective June 30, 2009. The Auglaize County Educational Service Center is responsible for evaluating the performance of the Community School and has the authority to deny renewal of their contract at its expiration. Auglaize County Educational Service Center is also the fiscal agent of the Community School with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for the Community School.

The Community School operates under the direction of a seven-member Board of Directors made up of the Superintendents from the participating school districts. Auglaize County Educational Service Center does not make up a majority of the Board and cannot impose its will upon the Community School; therefore, the Community School is not a component unit of the Auglaize County Educational Service Center. The Board of Directors is responsible to help create, approve, and monitor the annual budget, develop policies to guide the operation of, and maintain a commitment to the vision, mission, and belief statements of the Community School and the children it serves. During fiscal year 2010, the Community School purchased services from the Auglaize County Educational Service Center for administrative services provided to the Community School.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This 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. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Community School's accounting policies.

**A. Basis of Presentation**

The basic financial statements consist of a statement of net assets; a statement of receipts, disbursements, and change in net assets; and a statement of cash flows.

The Community School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

The financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Community School's contract with its Sponsor, except Ohio Revised Code Section 5705.391 which requires a five year financial forecast. The contract between the Community School and its Sponsor does prescribe an annual budget requirement.

**D. Cash and Cash Equivalents**

Cash and cash equivalents are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2010, the Community School had no investments.

**E. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Community School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Community School first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available. The Community School did not have any net assets restricted by enabling legislation at fiscal year end.

**F. Operating Receipts and Disbursements**

The Community School did not have any operating receipts during fiscal year 2010. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of ASN. All receipts and disbursements not meeting this definition are reported as non-operating.

**G. Extraordinary Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The extraordinary item reported on the Community School's financial statements is to record the close out activity of the school. This amount consisted of costs incurred in fiscal year 2010 relating to the elimination of operations. These amounts were subsequently repaid by the Auglaize County Educational Service Center under Finding 2010-01.

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**3. COMPLIANCE**

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

**4. DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Community School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, none of Community School's bank balance of \$64,355 was exposed to custodial credit risk. the Community School has no deposit policy for custodial credit risk.

**5. RISK MANAGEMENT**

The Community School 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 2010, the Community School had the following insurance coverage provided through the Auglaize County Educational Service Center:

Coverage provided by the Schools of the Ohio Risk Sharing Authority is as follows:

|                       |             |
|-----------------------|-------------|
| General Liability     |             |
| Occurrence            | \$3,000,000 |
| Aggregate             | 5,000,000   |
| Automobile Liability  | 3,000,000   |
| Building and Contents | 3,708,365   |

**6. FISCAL AGENT**

The agreement with the Auglaize County Educational Service Center states the Treasurer of the Auglaize County Educational Service Center shall serve as the treasurer of the Community School. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of the Community School:

- A. Maintain the financial records of the Community School in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- B. Comply with the policies and procedures regarding internal financial control of the Community School;
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**7. RELATED PARTY TRANSACTIONS/PURCHASED SERVICES**

In fiscal year 2010, purchased services including those related to close out costs and materials and supplies were obtained from the Auglaize County Educational Service Center by the Community School, in the amount of \$67,186. The amount of these purchased services and materials and supplies was as follows:

|                                                              | <b>Amount</b>   |
|--------------------------------------------------------------|-----------------|
| Salaries- related to close out costs                         | \$35,886        |
| Fringe Benefits – related to close out costs                 | 2,788           |
| Total Purchased Services paid to related party for close-out | 38,674          |
| Purchased Services paid to related party                     | 28,512          |
| Total Purchased Services paid to related party               | 67,186          |
| Purchased Services to outside vendors                        | 7,034           |
| Total Purchased Services                                     | <u>\$74,220</u> |

**8. CONTINGENCIES**

**A. Grants**

The Community 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 Community School at June 30, 2010.

**B. Litigation**

There are currently no matters in litigation with the Community School as a defendant.

**9. CLOSEOUT OF OPERATIONS**

On May 14, 2009, the Board of Directors of the the Community School passed a resolution to permanently close the Community School as of June 30, 2009, due to declining enrollment in the program. The remaining assets of the Community School will be distributed during fiscal year 2011.

**10. SUBSEQUENT EVENTS**

As of March 30, 2011, Community School had a remaining cash balance of \$98,255.



# 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*

Auglaize Special Needs School  
Auglaize County  
1045 Dearbaugh Avenue  
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the financial statements of the Auglaize Special Needs School, Auglaize County, (the Community School) as of and for the year ended June 30, 2010 and have issued our report thereon dated March 25, 2011 wherein we noted the Community School uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted that the Board of Directors of the Community School, voted to permanently close the Auglaize Special Needs School as of June 30, 2009, due to declining enrollment. 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 Community School'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 Community School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Community School'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 Community School'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 Community School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-03.

We also noted a certain matter not requiring inclusion in this report that we reported to the Community School's management in a separate letter dated March 25, 2011.

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 Community School. 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 style with a large, looping "Y" at the end.

**Dave Yost**  
Auditor of State

March 25, 2011



**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2010**

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

**FINDING NUMBER 2010-01**

**Finding for Recovery/Repaid Under Audit**

**The Community School Contract for the Auglaize County Special Needs School, dated July 1, 2008, Article XI,** (the Contract) states that if the community school permanently closes and ceases its operation, the community school shall proceed according to the contract termination contingencies set forth in the Governance and Administration Plan, Exhibit 3. However, Exhibit 3 of the Contract did not provide for administrative costs.

The contract between the Auglaize County Special Needs School (the Community School) was terminated by the Auglaize County Educational Service Center (the Sponsor) effective June 30, 2009, in accordance with **Ohio Rev. Code Section 3314.07**.

During the fiscal year ended June 30, 2010, the Sponsor invoiced the Community School for administrative costs, in the amount of \$38,674, associated with the closing of the Community School. In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended, is hereby rendered against the Auglaize County Educational Service Center in the amount of \$38,674, and in favor of the Auglaize County Special Needs Community School's general fund.

On March 10, 2011, the Auglaize County Educational Service Center issued check number 22268, in the amount of \$38,674, which was recorded in the School's General Fund on March 10, 2011, with receipt #4153.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides that each public office 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 Adm. Code Section 117-2-03(B)** requires the Auglaize Special Needs School (the Community School) to prepare its financial report in accordance with generally accepted accounting principles. However, the Community School prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Community School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

### FINDING NUMBER 2010-03

#### Noncompliance Citation

**Ohio Rev. Code Section 3314.015(E)** states that the department of education shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school

Pursuant to the Ohio Department of Education's *Community School Closing Procedures Assurances*, dated January 5, 2010, the following actions should be taken when a community school closes. The actions noted below either had no evidence to support the action taken, or action was not taken timely enough in accordance with ODE's guidance:

- A. Notify ODE that the school is closing and send the board resolution or sponsor notice within 24 hours of the action.
  - o The Board of Directors of the Auglaize Special Needs School, approved the closing of the school effective June 30, 2009, at their meeting on May 14, 2009. However, the notice was not sent to ODE until May 18, 2009, which is outside of the 24 hour requirement.
- B. The sponsor shall immediately take control of and secure all school records, property and assets when the school closes:
  1. Student records shall be provided to all resident districts within seven business days of closure of the school as defined in section 3314.44 of the revised code.
    - o There was no evidence to substantiate student records were provided to all resident districts within seven business days of the closure of the school.
- C. Notify resident districts and other stakeholders of the decision to close the school:
  1. Notify all resident districts, districts providing transportation and parents with a written timeline of the closing process;
    - a. Send notifications 30 days prior to planned closures
      - o A letter was sent out to parents of students on August 10, 2009, which is outside of the requirement to be sent 30 days prior to planned closure.
  2. Notify the Information Technology Center (ITC) and arrange for a method by which all outstanding EMIS data will be reported.
    - o There was no evidence to support this action was taken.
  3. Notify the Office of Community Schools to eliminate all SAFE, CCIP and other ODE account logins for personnel associated with the closed school with the exception of designated closing process reporting personnel.
    - o There was no evidence to support this action was taken.

**FINDING NUMBER 2010-03  
(Continued)**

D. Notify the public:

1. Prepare written press releases for the local media specific to the school that can be disseminated to media and provide name and phone of the school spokesperson.
  - o There was no evidence to support this action was taken.

E. Disposition of Assets, review the financial records of the school:

1. Establish the fair market (initial and amortized) value via fixed assets policy, for all fixed assets.
  - o A listing of fixed assets was prepared, and the values at the time of closing were based on a 4-year useful life. The Auglaize Special Needs School adopted the policies of the Auglaize County Educational Service Center, and Administrative Guideline #7455 defines the useful life of equipment to be 5-20 years; therefore, the 4-year useful life utilized to determine the value of the equipment was not in agreement with the fixed asset policy. The variance between the 4 and 5 year useful life of the assets was \$1,700 and did not result in individual assets being equal to \$5,000 which may have required an obligation to the awarding agency.

F. Utilize only state dollars, auction proceeds, foundation dollars and any other non-federal dollars to pay the following in order:

1. STRS/SERS/retirement and other adjustments;
  2. Teacher and staff;
  3. Audit preparation (prepared financials);
  4. Private creditors;
  5. Foundation overpayments;
  6. Resident school districts pro-rated for students attending the community school.
- o The Auglaize Special Needs School does have a balance in their General Fund to pay off any further expenses as directed by ODE.

There was no evidence that Auglaize Special Needs School (the Community School) and the Auglaize County Educational Service Center (the Sponsor) followed all of the above School Closing procedures when the Community School closed. The Community School and/or Sponsor should contact the Ohio Department of Education to rectify any outstanding items associated with the closing of the Community School.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.

**AUGLAIZE SPECIAL NEEDS SCHOOL  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

| Finding Number | Finding Summary                                                                                                                                                            | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 2009-001       | Ohio Rev. Code Section 117.38 Ohio Adm. Code Section 117-2-03(B) – Failure to prepare annual financial report in accordance with generally accepted accounting principles. | No               | Repeated as Finding 2010-02                                                                                                            |



# Dave Yost • Auditor of State

**AUGLAIZE SPECIAL NEEDS SCHOOL**

**AUGLAIZE 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  
MAY 5, 2011**