



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

February 8, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

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DAVE YOST  
Auditor of State

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**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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 fiscal year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Urbana Community School, Champaign County, as of June 30, 2010, 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 7, 2011, 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 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 these 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.

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**Mary Taylor, CPA**  
Auditor of State

January 7, 2011



**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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, 2010. 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 2010 are as follows:

- In total, net assets were \$747,977 at June 30, 2010.
- The School's total assets were \$888,387 and total liabilities were \$140,410.
- The School had operating revenues of \$334,396 and operating expenses of \$304,237 for fiscal year 2010.
- The School also received \$24,904 in State and Federal grants during the year, \$2,124 in interest revenue and \$50 in miscellaneous non-operating revenues.
- Total change in net assets for fiscal year 2010 was an increase of \$57,237.

**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 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 ask the question, "How did we do financially during 2010?" The statement of net assets and 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, 2010  
UNAUDITED  
(Continued)**

The table below provides a summary of the School's net assets for fiscal years 2010 and 2009.

<b>Net Assets</b>		
	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Current assets	\$888,387	\$815,241
Total assets	888,387	815,241
<b>Liabilities:</b>		
Current liabilities	140,410	124,501
Total Liabilities	140,410	124,501
<b>Net Assets:</b>		
Restricted	18,000	15,000
Unrestricted	729,977	675,740
Total net assets	\$747,977	\$690,740

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School's net assets totaled \$747,977.

The table below shows the changes in net assets for fiscal year 2010 and 2009.

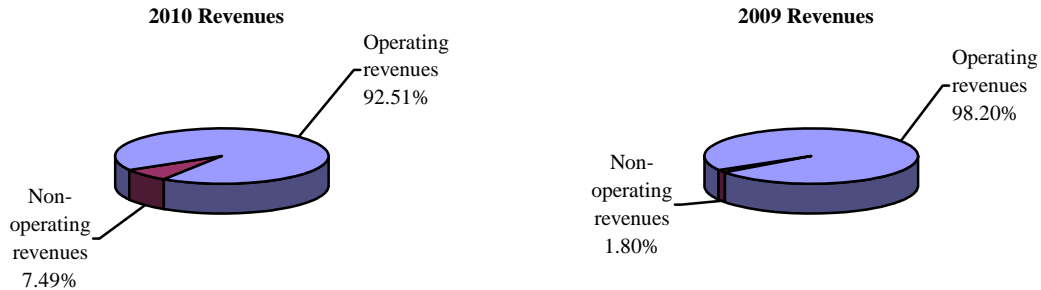
<b>Change in Net Assets</b>		
	<b>2010</b>	<b>2009</b>
<b>Operating Revenues:</b>		
State foundation	\$334,396	\$346,123
Total operating revenue	334,396	346,123
<b>Operating Expenses:</b>		
Purchased services	304,237	237,136
Other operating expenses	19	19
Total operating expenses	304,237	237,155
<b>Non-operating revenues:</b>		
State and Federal grants	24,904	4,200
Interest income	2,124	2,139
Miscellaneous	50	50
Total non-operating revenues	27,078	6,339
Change in net assets	\$ 57,237	\$115,307

Purchased services increased \$67,101 or 28.30% as a result in an increase in cost of services purchased through the sponsor and other providers.

**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

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

The chart below illustrates the revenues for the School during fiscal years 2010 and 2009.



**Current Financial Related Activities**

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

In order to continually provide online learning opportunities to the School's students, it is the intent of the School to apply for other State 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. Mandy Hildebrand, 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, 2010**

**Assets:**

Equity in pooled cash and cash equivalents \$887,341

**Receivables:**

Due from other governments 1,046

Total assets 888,387

**Liabilities:**

Due to other governments 2,493

Due to primary government 137,917

Total liabilities 140,410

**Net assets:**

**Restricted for:**

State funded programs 18,000

Unrestricted 729,977

Total net assets \$747,977

*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, 2010**

<b>Operating revenues:</b>	
State foundation	\$334,396
	<hr/>
<b>Operating expenses:</b>	
Purchased services	304,237
Operating income	30,159
	<hr/>
<b>Non-operating revenues:</b>	
State and Federal grants	24,904
Interest income	2,124
Miscellaneous	50
Total non-operating revenues	27,078
	<hr/>
Change in net assets	57,237
	<hr/>
Net assets at beginning of year	690,740
Net assets at end of year	\$747,977
	<hr/> <hr/>

*See accompanying notes to the basic financial statements.*

**URBANA COMMUNITY SCHOOL  
CHAMPAGIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Cash flows from operating activities:</b>	
Cash received from State foundation	\$314,439
Cash payments to suppliers for goods and services	(269,417)
Net cash provided by operating activities	<u>45,022</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from State and Federal grants	24,904
Cash received from miscellaneous sources	50
Net cash provided by noncapital financing activities	<u>24,954</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>2,124</u>
Net cash provided by investing activities	<u>2,124</u>
Net increase in cash and cash equivalents	72,100
Cash and cash equivalents at beginning of year	815,241
Cash and cash equivalents at end of year	<u><u>887,341</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	30,159
<b>Changes in assets and liabilities:</b>	
(Increase) in due from other governments	(1,046)
Decrease in due to other governments	(19,502)
Increase in due to primary government	<u>35,411</u>
Net cash provided by operating activities	<u><u>\$45,022</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, 2010**

**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 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 as amended by GASB Statement No.39.

The School was initially approved under contract with the Sponsor for the period of five years commencing July 1, 2003. The current contract is for three years, and expires June 30, 2012. The School began operations on July 1, 2004.

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.

**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) guidance 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 this FASB guidance issued after November 30, 1989, subject to this same limitation. The School has elected not to apply this FASB guidance. The School's significant accounting policies are described below.

**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

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

**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 (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, 2010.

**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.

**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

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

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

**G. Intergovernmental Revenues**

The School currently participates in the State Foundation Program through the Ohio Department of Education, the education stabilization grant, and the EMIS State grant. 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. State and Federal grants for the fiscal year 2010 received by the School was \$24,904.

**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. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2010, the School has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the School.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the School.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the School.

**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

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

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

At June 30, 2010, the carrying amount of the School's deposits was \$887,341. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$652,703 of the School's bank balance of \$902,703 was exposed to custodial risk as discussed below, while \$250,000 was covered by the 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. 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.

**5. COMPREHENSIVE SERVICES AGREEMENT WITH TRECA**

The School entered into a one-year contract on January 4, 2010, for fiscal year 2010, with Tri-Rivers Education Computer Association (TRECA). Under the contract, the following terms were agreed upon:

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 \$3,875 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.

The School paid \$163,851 to TRECA for fiscal year 2010 services.

To obtain TRECA's audited June 30, 2010 financial statements, please contact Scott Armstrong at [scott@treca.org](mailto:scott@treca.org).

**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

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

**6. 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. The payments are remitted by the Sponsor and the School reimburses the Sponsor for the expenses. The School paid \$255 to the Correspondence School for fiscal year 2010 services.

**7. 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 2010, the School was named on the Sponsor's policy for property and general liability insurance.

**8. PURCHASED SERVICES**

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

TRECA Services	\$163,851
Sponsor Services	88,959
Director's Expense	48,958
Other Services	<u>2,469</u>
Total	<u>\$304,237</u>

**9. 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 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, 2010.

**B. State Foundation Funding**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year-end, the Ohio Department of Education owed the School \$1,046. This amount is reflected as an intergovernmental receivable (due from other governments) on the basic financial statements.

**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.

**URBANA COMMUNITY SCHOOL  
CHAMPAIGN COUNTY**

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

**10. 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 services provided.



# Mary Taylor, CPA

Auditor of State

## 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 Education:

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 fiscal year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 7, 2010. 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 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 School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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 School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We noted a certain matter that we reported to the School's management in a separate letter dated January 7, 2011.

Urbana Community School  
Champaign County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the management, Board of Directors and the Community School's Sponsor. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

January 7, 2011





# 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  
FEBRUARY 8, 2011