



Dave Yost • Auditor of State

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

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Dave Yost • 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 financial statements of the business-type activities of Urbana Community School, Champaign County, Ohio (the School), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements 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.

Ohio Administrative Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities of Urbana Community School, Champaign County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof for the year then ended in conformity with the accounting basis Note 1 describes.

As discussed in Note 3, for the year ended June 30, 2012 the District revised its financial presentation from accounting principles generally accepted in the United States of America (GAAP) to the basis comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012, 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.

We conducted our audit to opine on the School's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets and changes in net assets. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

October 23, 2012

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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 2012 are as follows:

- In total, net cash assets were \$841,889 at June 30, 2012.
- The School had operating receipts of \$282,159 and operating disbursements of \$274,728 for fiscal year 2012.
- The School also received \$1,194 non-operating interest receipts during fiscal year 2012.
- Total change in net assets for fiscal year 2012 was an increase of \$8,625, from a restated beginning balance of \$833,264 to a balance of \$841,889.

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 – cash basis and statement of receipts, disbursements and changes in net assets – cash basis provide information about the activities of the School.

Reporting the School's Financial Activities

Statement of Net Assets and the Statement of Receipts, Disbursements, and Changes in Net Assets

These documents look at all financial transactions and ask the question, "How did the School do financially during 2012?" The statement of net assets – cash basis and statement of receipts, disbursements and changes in net assets – cash basis answer this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)
(Continued)**

The table below provides a summary of the School's net assets for fiscal years 2012 and 2011.

Net Assets		
	2012	Restated 2011
Assets:		
Current assets	\$841,889	\$833,264
Total assets	841,889	833,264
Net Assets:		
Restricted	18,000	18,000
Unrestricted	823,889	815,264
Total net assets	\$841,889	\$833,264

Over time, net assets can serve as a useful indicator of a government's financial position. Total net cash assets of the School increased \$8,625, which represents a 1.04% increase from restated net assets at June 30, 2011. A portion of the School's net assets, \$18,000, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$823,889 may be used for the School's ongoing operations.

The table below shows the changes in net assets for fiscal year 2012 and 2011.

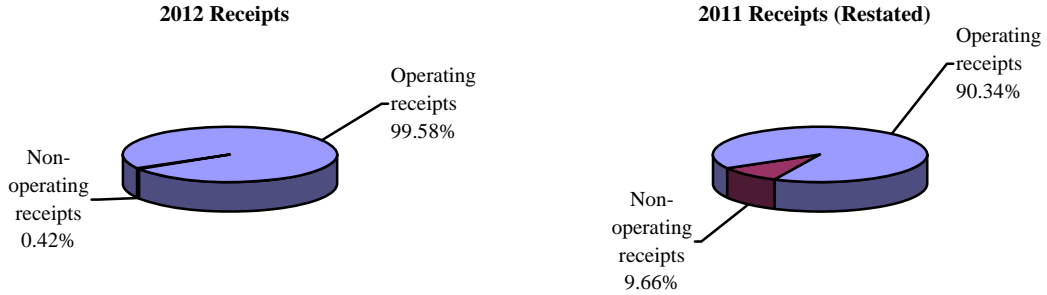
Change in Net Assets		
	2012	Restated 2011
Operating Receipts:		
State foundation	\$279,545	\$265,945
Other	2,614	
Total operating receipts	282,159	265,945
Operating Disbursements:		
Purchased services	245,501	348,451
Materials and supplies	29,227	
Total operating disbursements	274,728	348,451
Non-operating receipts:		
State and Federal grants		26,618
Interest income	1,194	1,811
Total non-operating receipts	1,194	28,429
Change in net assets	8,625	(54,077)
Net assets at beginning of year (restated)	833,264	887,341
Net assets at end of year	\$841,889	\$833,264

State foundation receipts increased 5.11% from 2011, while purchased services disbursements decreased \$102,950, or 29.55%. The School did not receive State or Federal grants during 2012, compared to \$26,618 in grant receipts during the prior year. Unlike 2011, the District also had materials and supplies disbursements of \$29,227 for the purchase of computer equipment.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)
(Continued)**

The charts below illustrate the receipts for the School during fiscal years 2012 and 2011.



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 - CASH BASIS
JUNE 30, 2012**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	<u>\$841,889</u>
Total assets	<u>841,889</u>

Net assets:

Restricted for:

State funded programs	18,000
Unrestricted	<u>823,889</u>
Total net assets	<u><u>\$841,889</u></u>

See accompanying notes to the basic financial statements.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Operating revenues:	
State foundation	\$279,545
Other	2,614
Total operating revenues	<u>282,159</u>
Operating expenses:	
Purchased services	245,501
Materials and supplies	29,227
Total operating expenses	<u>274,728</u>
Operating income	<u>7,431</u>
Non-operating revenues:	
Interest income	1,194
Total non-operating revenues	<u>1,194</u>
Change in net assets	8,625
Net assets at beginning of year (restated)	<u>833,264</u>
Net assets at end of year	<u><u>\$841,889</u></u>

See accompanying notes to the basic financial statements.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

As discussed in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the statements, 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. The School elected not to apply this FASB guidance. Following are the more significant of the School's accounting policies.

A. Basis of Presentation

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

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code 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

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

F. Operating Receipts and Disbursements

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

G. Intergovernmental Receipts

The School currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the School. Foundation program receipts for the fiscal year 2012 amounted to \$279,545.

Grants and entitlements are recognized as non-operating receipts in the accounting period in which they are received. No restricted grants were received by the School during 2012.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the School has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School.

B. Change in Basis of Accounting and Restatement of Prior Year Net Assets

Ohio Administrative Code, Section 117-2-03(B), requires that the School prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year ending June 30, 2012, the School changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.B), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The School has elected to present the cash-basis financial statements in a format consistent with GASB Statement No. 34. Net assets at June 30, 2011 have been restated to account for the change in accounting principle, which effectively eliminated accruals of assets and liabilities.

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on net assets at June 30, 2011:

Net assets at June 30, 2011	\$751,995
Restatement due to change in reporting basis adjustments	<u>81,269</u>
Restated net assets at June 30, 2011	<u>\$833,264</u>

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on a modified 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 School can be fined and various other administrative remedies may be taken against the School.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS

At June 30, 2012, the carrying amount of the School's deposits was \$841,889. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$608,276 of the School's bank balance of \$858,276 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 September 21, 2011, for fiscal year 2012, 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 School shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the School.
4. Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
5. The School shall pay to TRECA \$3,000 per full-time student enrolled in the School per year for comprehensive services. Additional service packages may be provided on such terms as are agreed to by the parties.

During fiscal year 2012, the School paid \$140,915 to TRECA for services.

To obtain TRECA's audited June 30, 2012 financial statements, please contact Scott Armstrong at scott@treca.org.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(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 did not make any payments to the Correspondence School in fiscal year 2012.

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 2012, the School was named on the Sponsor's policy for property and general liability insurance.

8. PURCHASED SERVICES

For fiscal year ended June 30, 2012, disbursements for purchased services were as follows:

TRECA Services	\$140,915
Sponsor Services	99,056
Other Services	<u>5,530</u>
Total	<u><u>\$245,501</u></u>

9. CONTINGENCIES

A. ADM & Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District 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 of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. State Foundation Funding

The Ohio Department of Education 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. The School has not been reviewed as of June 30, 2012. The School does not anticipate any significant adjustments to State funding for fiscal year 2013, as a result of the reviews which have yet to be completed.

**URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

9. CONTINGENCIES (Continued)

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.

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.



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

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

To the Board of Education:

We have audited the financial statements of the business-type activities of Urbana Community School, Champaign County, (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 23, 2012, wherein we noted the School changed its reporting method from Generally Accepted Accounting Principles to the basis comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We intend this report solely for the information and use of management, the Community School's sponsor, and others within the 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 "D" and "Y".

Dave Yost
Auditor of State

October 23, 2012

URBANA COMMUNITY SCHOOL
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

FINDING NUMBER 2012-001

MATERIAL NONCOMPLIANCE – FINANCIAL REPORT

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 School to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2012, the School prepared financial statements that report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School should prepare its annual financial statements according to generally accepted accounting principles to help provide the users with more meaningful financial statements.

Official's Response: We did not receive a response from Officials to this finding.

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Dave Yost • Auditor of State

URBANA COMMUNITY SCHOOL

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2012**