



OHIO AUDITOR OF STATE  
**KEITH FABER**





**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY**

**FOR FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Auglaize County Educational Academy  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the business-type activities of the Auglaize County Educational Academy, Auglaize County, Ohio (the AEA), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the AEA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

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 the Auglaize County Educational Academy, Auglaize County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of the AEA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the AEA's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

June 25, 2019

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The discussion and analysis of the Auglaize County Educational Academy's (the "AEA") financial performance provides an overall review of the AEA's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the AEA'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 AEA's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- In total, net position was \$338,620 at June 30, 2018.
- The AEA had operating receipts of \$905,127 and operating disbursements of \$724,086 for fiscal year 2018.
- The AEA also received \$17,542 in non-operating receipts during fiscal year 2018.
- Total change in net position for fiscal year 2018 was an increase of \$198,583, from a beginning balance of \$140,037 to a balance of \$338,620.

**Using these Cash Basis 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 AEA's financial activities. The statement of net position – cash basis and the statement of receipts, disbursements and change in net position – cash basis provide information about the activities of the AEA.

**Reporting the Academy's Financial Activities**

***Statement of Net Position and the Statement of Receipts, Disbursements and Change in Net Position - Cash Basis***

These documents look at all financial transactions and ask the question, "How did the AEA do financially during 2018?" The statement of net position - cash basis and the statement of receipts, disbursements and change in net position – cash basis answer this question. These statements include only net position 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 expenditures if the cash is actually received or paid.

These two statements report the AEA's net position and change in net position on a cash basis. This change in net position is important because it tells the reader that, for the AEA as a whole, the cash basis financial position of the AEA 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.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The table below provides a summary of the AEA net position for fiscal years 2018 and 2017.

	<b>Net Position</b>	
	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Current assets	\$ 338,620	\$ 140,037
Total assets	<u>338,620</u>	<u>140,037</u>
<b><u>Net Position</u></b>		
Restricted	410	410
Unrestricted	<u>338,210</u>	<u>139,627</u>
Total net position	<u>\$ 338,620</u>	<u>\$ 140,037</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. Total net position of the AEA increased \$198,583, which represents a 141.81% increase from net position at June 30, 2017. The unrestricted net cash balance of \$338,210 may be used for the AEA's ongoing operations.

The table below shows the changes in net position for fiscal year 2018 and 2017.

	<u>2018</u>	<u>2017</u>
<b><u>Operating Receipts</u></b>		
Charges for services	\$ 158,020	\$ 85,802
Foundation revenue	743,617	483,895
Other	<u>3,490</u>	<u>2,268</u>
Total operating receipts	<u>905,127</u>	<u>571,965</u>
<b><u>Operating Disbursements</u></b>		
Purchased services	687,977	573,123
Materials and supplies	35,825	8,594
Other	<u>284</u>	<u>142</u>
Total operating disbursements	<u>724,086</u>	<u>581,859</u>
<b><u>Non-operating receipts</u></b>		
Interest earnings	452	161
Grants and subsidies	<u>17,090</u>	<u>5,954</u>
Total non-operating receipts	<u>17,542</u>	<u>6,115</u>
Change in net position	198,583	(3,779)
Net position at beginning of year	<u>140,037</u>	<u>143,816</u>
Net position at end of year	<u>\$ 338,620</u>	<u>\$ 140,037</u>



**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

Charges for services increased as a result of an increase in receipts collected for virtual school fees in fiscal year 2018. The AEA received more funding from foundation revenue during fiscal year 2018 due to an increase in student enrollment. Federal grants increased due to greater funding received in fiscal year 2018 from federal programs. The increase in disbursements was primarily in the area of purchased services.

**Capital Assets and Debt Administration**

*Capital Assets*

The AEA does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

*Debt Administration*

The AEA does not have any debt obligations outstanding as of June 30, 2018.

**Current Financial Related Activities**

Effective August 1, 2013, the AEA's sponsor changed to the Auglaize County Educational Service Center. The AEA is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students.

On June 30, 2018, Auglaize County Educational Service Center's contract as the sponsor for the AEA will expire. On July 1, 2018, the Buckeye Community Hope Foundation will commence their contract as sponsor for AEA.

In order to continually provide learning opportunities to the AEA's students, the AEA will apply resources to best meet the needs of its students. It is the intent of the AEA to apply for other State and Federal funds that are made available to finance its operations.

**Contacting the AEA's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the AEA's finances and to show the AEA's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Kristy Weaks, Treasurer, Auglaize County Educational Service Center, 1045 Dearbaugh Ave, Suite 2, Wapakoneta, OH 45895, or email at [kweaks@auglaizeesc.org](mailto:kweaks@auglaizeesc.org).

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**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2018

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents . . . . .	\$ 338,620
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**Net position:**

Restricted for:

Restricted for state programs. . . . .	\$ 60
Restricted for federal programs . . . . .	350
Unrestricted. . . . .	<u>338,210</u>
Total net position. . . . .	<u>\$ 338,620</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGE IN NET POSITION - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<b>Operating receipts:</b>	
Charges for services. . . . .	\$ 158,020
Foundation revenue . . . . .	743,617
Miscellaneous receipts. . . . .	3,490
Total operating receipts . . . . .	<u>905,127</u>
 <b>Operating disbursements:</b>	
Purchased services. . . . .	687,977
Materials and supplies. . . . .	35,825
Other disbursements. . . . .	284
Total operating disbursements. . . . .	<u>724,086</u>
 Operating income . . . . .	 <u>181,041</u>
 <b>Non-operating receipts:</b>	
Interest. . . . .	452
Grants. . . . .	17,090
Total non-operating receipts. . . . .	<u>17,542</u>
 Change in net position . . . . .	 198,583
 <b>Net position at beginning of year. . . . .</b>	 <u>140,037</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 338,620</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Auglaize County Educational Academy (AEA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. AEA's objective is to provide education opportunities through a virtual curriculum for students in kindergarten through twelfth grade. AEA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. AEA may acquire facilities as needed and contract for any services necessary for the operation of the school.

AEA 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. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008, and expired on June 30, 2013. The contract has again been renewed for a five-year period commencing on July 1, 2013. Auglaize County Educational Service Center is responsible for evaluating the performance of AEA and has the authority to deny renewal of the contract at its expiration. Auglaize County Educational Service Center is also the fiscal agent of AEA with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for AEA.

AEA operates under the direction of a six-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 on AEA; therefore, AEA is not a component unit of the Auglaize County Educational Service Center. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2018, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

**NOTE 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. Following are the more significant of the AEA's accounting policies.

**A. Basis of Presentation**

AEA's basic financial statements consist of a statement of net position- cash basis and a statement of receipts, disbursements, and change in net position- cash basis.

AEA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, and financial position. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**B. Basis of Accounting**

AEA's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in AEA's 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 receipts (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures 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 AEA's contract with its Sponsor. The contract between AEA and its Sponsor does prescribe an annual budget requirement.

**D. Cash and Cash Equivalents**

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position- cash basis. 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 2018, AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

**E. Net Position**

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

**F. Operating Receipts and Disbursements**

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

**NOTE 3 - DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the AEA's bank balance of \$340,866 was covered by the FDIC. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject AEA to a successful claim by the FDIC.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - RISK MANAGEMENT**

AEA 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 2018, AEA obtained insurance coverage through the Auglaize County Educational Service Center’s insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$ 15,000,000
Aggregate	17,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**NOTE 5 - 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 AEA. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of AEA:

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

**NOTE 6 - RELATED PARTY TRANSACTIONS**

In fiscal year 2018, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$637,291. The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries	\$ 441,606
Fringe Benefits	180,379
Purchased Services	6,342
Supplies and Materials	500
Other	<u>8,464</u>
Total	<u>\$ 637,291</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - CONTINGIENCES**

**A. Grants**

AEA 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 AEA at June 30, 2018.

**B. Litigation**

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

**C. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusions of this review could result in State funding being adjusted. The AEA was underpaid \$4,434 in fiscal year 2018 and a receipt will be received from the Ohio Department of Education.

**NOTE 8 - COMPLIANCE**

Ohio Administrative Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For 2018, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NOTE 9 - PURCHASED SERVICES**

For fiscal year ended June 30, 2018, expenses for purchased services were as follows:

Professional and technical services	\$ 640,854
Administrative/meeting expenses	1,755
Tuition	3,505
Other purchases	<u>41,863</u>
Total	<u>\$ 687,977</u>

**NOTE 10 - SUBSEQUENT EVENT**

Auglaize County Educational Service Center's contract as the sponsor for the AEA ended on June 30, 2018. On July 1<sup>st</sup> 2018, the Buckeye Community Hope Foundation will commence their contract as sponsor for AEA.



**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

The discussion and analysis of the Auglaize County Educational Academy's (the "AEA" financial performance provides an overall review of the AEA's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the AEA'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 AEA's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- In total, net position was \$140,037 at June 30, 2017.
- The AEA had operating receipts of \$571,965 and operating disbursements of \$581,859 for fiscal year 2017.
- The AEA also received \$6,115 in non-operating receipts during fiscal year 2017.
- Total change in net position for fiscal year 2017 was a decrease of \$3,779, from a beginning balance of \$143,816 to a balance of \$140,037.

**Using these Cash Basis 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 AEA's financial activities. The statement of net position – cash basis and the statement of receipts, disbursements and change in net position – cash basis provide information about the activities of the AEA.

**Reporting the Academy's Financial Activities**

*Statement of Net Position and the Statement of Receipts, Disbursements and Change in Net Position - Cash Basis*

These documents look at all financial transactions and ask the question, "How did the AEA do financially during 2017?" The statement of net position - cash basis and the statement of receipts, disbursements and change in net position – cash basis answer this question. These statements include only net position 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 expenditures if the cash is actually received or paid.

These two statements report the AEA's net position and change in net position on a cash basis. This change in net position is important because it tells the reader that, for the AEA as a whole, the cash basis financial position of the AEA 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 17 and 18 of this report.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

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

	<b>Net Position</b>	
	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Current assets	\$ 140,037	\$ 143,816
Total assets	<u>140,037</u>	<u>143,816</u>
<b><u>Net Position</u></b>		
Restricted	410	410
Unrestricted	<u>139,627</u>	<u>143,406</u>
Total net position	<u>\$ 140,037</u>	<u>\$ 143,816</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. Total net position of the AEA decreased \$3,779, which represents a 2.63% decrease from net position at June 30, 2016. The unrestricted net cash balance of \$139,627 may be used for the AEA's ongoing operations.

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

	<b>Change in Net Position</b>	
	<u>2017</u>	<u>2016</u>
<b><u>Operating Receipts</u></b>		
Charges for services	\$ 85,802	\$ 116,923
Foundation revenue	483,895	347,241
Other	<u>2,268</u>	<u>2,817</u>
Total operating receipts	<u>571,965</u>	<u>466,981</u>
<b><u>Operating Disbursements</u></b>		
Purchased services	573,123	610,162
Materials and supplies	8,594	10,193
Other	<u>142</u>	<u>5,717</u>
Total operating disbursements	<u>581,859</u>	<u>626,072</u>
<b><u>Non-operating receipts</u></b>		
Interest earnings	161	263
Grants and subsidies	<u>5,954</u>	<u>84,098</u>
Total non-operating receipts	<u>6,115</u>	<u>84,361</u>
Change in net position	(3,779)	(74,730)
Net position at beginning of year	<u>143,816</u>	<u>218,546</u>
Net position at end of year	<u>\$ 140,037</u>	<u>\$ 143,816</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

Charges for services decreased as a result of a decline in receipts collected for virtual school fees in fiscal year 2017. The AEA received more funding from foundation revenue during fiscal year 2017 due to an increase in student enrollment. Federal grants decreased due to less funding received in fiscal year 2017 from federal programs. The decrease in expenditures was primarily due in the area of purchased services.

**Capital Assets and Debt Administration**

*Capital Assets*

The AEA does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

*Debt Administration*

The AEA does not have any debt obligations outstanding as of June 30, 2017.

**Current Financial Related Activities**

Effective August 1, 2013, the AEA's sponsor changed to the Auglaize County Educational Service Center. The AEA is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the AEA's students, the AEA will apply resources to best meet the needs of its students. It is the intent of the AEA to apply for other State and Federal funds that are made available to finance its operations.

**Contacting the AEA's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the AEA's finances and to show the AEA's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Kristy Weaks, Treasurer, Auglaize County Educational Service Center, 1045 Dearbaugh Ave, Suite 2, Wapakoneta, OH 45895, or email at [kweaks@auglaizeesc.org](mailto:kweaks@auglaizeesc.org).

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**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2017

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents . . . . .	<u>\$ 140,037</u>
Total current assets . . . . .	<u>140,037</u>

**Net position:**

Restricted for:

Restricted for state programs. . . . .	60
Restricted for federal programs . . . . .	350
Unrestricted. . . . .	<u>139,627</u>
Total net position. . . . .	<u><u>\$ 140,037</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

<b>Operating receipts:</b>	
Charges for services. . . . .	\$ 85,802
Foundation revenue . . . . .	483,895
Other. . . . .	2,268
Total operating receipts . . . . .	<u>571,965</u>
 <b>Operating disbursements:</b>	
Purchased services. . . . .	573,123
Materials and supplies. . . . .	8,594
Other. . . . .	142
Total operating disbursements. . . . .	<u>581,859</u>
Operating loss . . . . .	<u>(9,894)</u>
 <b>Non-operating receipts:</b>	
Interest earnings . . . . .	161
Grants and subsidies. . . . .	5,954
Total non-operating receipts. . . . .	<u>6,115</u>
Change in net position . . . . .	(3,779)
<b>Net position at beginning of year. . . . .</b>	<u>143,816</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 140,037</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Auglaize County Educational Academy (AEA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. AEA's objective is to provide education opportunities through a virtual curriculum for students in kindergarten through twelfth grade. AEA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. AEA may acquire facilities as needed and contract for any services necessary for the operation of the school.

AEA 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. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008, and expired on June 30, 2013. The contract has again been renewed for a five-year period commencing on July 1, 2013. Auglaize County Educational Service Center is responsible for evaluating the performance of AEA and has the authority to deny renewal of the contract at its expiration. Auglaize County Educational Service Center is also the fiscal agent of AEA with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for AEA.

AEA operates under the direction of a six-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 on AEA; therefore, AEA is not a component unit of the Auglaize County Educational Service Center. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2017, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

**NOTE 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. Following are the more significant of the AEA's accounting policies.

**A. Basis of Presentation**

AEA's basic financial statements consist of a statement of net position- cash basis; and a statement of receipts, disbursements, and change in net position - cash basis.

AEA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, and financial position. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

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

**B. Basis of Accounting**

AEA's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in AEA's 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 receipts (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures 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 AEA's contract with its Sponsor. The contract between AEA and its Sponsor does prescribe an annual budget requirement.

**D. Cash and Cash Equivalents**

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position- cash basis. 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 2017, AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

**E. Net Position**

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

**F. Operating Receipts and Disbursements**

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

**NOTE 3 - DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the AEA's bank balance of \$144,049 was covered by the FDIC. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject AEA to a successful claim by the FDIC.



**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

**NOTE 4 - RISK MANAGEMENT**

AEA 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 2017, AEA obtained insurance coverage through the Auglaize County Educational Service Center’s insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$ 15,000,000
Aggregate	17,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**NOTE 5 - 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 AEA. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of AEA:

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

**NOTE 6 - RELATED PARTY TRANSACTIONS**

In fiscal year 2017, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$519,302. The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries	\$ 356,285
Fringe Benefits	140,851
Purchased Services	15,000
Supplies and Materials	500
Other	<u>6,666</u>
Total	<u>\$ 519,302</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY, OHIO**

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

**NOTE 7 - CONTINGIENCES**

**A. Grants**

AEA 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 AEA at June 30, 2017.

**B. Litigation**

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

**C. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusions of this review could result in State funding being adjusted. The AEA was underpaid \$12,485 in fiscal year 2017 and a receipt will be received from the Ohio Department of Education.

**NOTE 8 - COMPLIANCE**

Ohio Administrative Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For 2017, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NOTE 9 - PURCHASED SERVICES**

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

Professional and technical services	\$ 561,822
Administrative/meeting expenses	2,689
Tuition	2,350
Other purchases	<u>6,262</u>
Total	<u>\$ 573,123</u>

# OHIO AUDITOR OF STATE KEITH FABER



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

Auglaize County Educational Academy  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the business-type activities of the Auglaize County Educational Academy, Auglaize County (the AEA) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the AEA's basic financial statements and have issued our report thereon dated June 25, 2019, wherein we noted the AEA uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. We consider finding 2018-002 to be a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the AEA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 and 2018-002.

**AEA's Responses to Findings**

The AEA's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the AEA's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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



Keith Faber  
Auditor of State  
Columbus, Ohio

June 25, 2019

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2018 AND 2017**

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

**FINDING NUMBER 2018-001**

**Failure to File GAAP – Noncompliance**

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

**Ohio Admin. Code § 117-2-03(B)** requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the Academy prepared its financial statements for fiscal years 2018 and 2017 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Academy did not file GAAP statements in fiscal years 2018 and 2017.

Failure to report on a GAAP basis compromises the Academy's ability to evaluate and monitor the overall financial condition of the Academy. To help provide the users with more meaningful financial statements, the Academy should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the Academy's financial condition.

**Official's Response:**

Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statement on a cash-basis is a better way to allocate those funds.

**FINDING NUMBER 2018-002**

**Full-Time Equivalent (FTE) Reporting - Material Weakness/Non-Compliance**

**Ohio Rev. Code § 3314.08(H)**, in relevant part, provides that the Ohio Department of Education (ODE) adjust the amounts subtracted and paid under division (C) of that section to reflect the enrollment in community schools of students for less than the equivalent of a full school year. The state board of education within ninety days after April 8, 2003, was obligated to act under Chapter 119 of the Revised Code to adopt rules governing the payments to community schools under the section including initial payments in a school year, adjustments, and reductions made in subsequent periodic payments to community schools, and corresponding deductions from school district accounts, as provided under division (C) of the section.

**FINDING NUMBER 2018-002  
(Continued)**

**Ohio Rev. Code § 3314.08(H)(2)** states, in part, that “A student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, ‘learning opportunities’ shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school.”

**Ohio Rev. Code § 3314.08(H)(3)** states the following, “The department shall determine each community school student's percentage of full-time equivalency (FTE) based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year.

In addition, **Ohio Rev. Code § 3314.03(A)(11)(a)** states, in relevant part, that “The school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year.”

Per the FY18 Community School Full Time Equivalency (FTE) Review Manual, “The e-school may have more than one online system that tracks durational time. In these circumstances, the times may not overlap or be counted more than once.” We noted that there was an overlap of time between the Compass and Schoology logs that were being duplicated for five of the ten student files tested.

Further, the Schoology software did not have a time out feature. Per review of the Schoology records, there were numerous instances where there were over 24 hours of calculated time logged in for a student in a day. Although the Academy did not record over 10 hours per day towards FTE for any student tested, this brings into question the accuracy of the Schoology reporting system.

By not having adequate procedures in place to verify the accuracy of the duration times from each system for students, this could result in the overfunding to the Academy based on incorrect FTE information.

We recommend the Auglaize County Educational Academy review current statutory requirements and guidance issued by ODE and the requirements for durational time relating to overlap and the importance of a time out feature.

**Official's Response:**

Overlap of duplicate systems - This finding has been resolved, as the ACE Academy now uses and reports using only one platform.

No time out feature - ACE Academy is no longer using the Schoology platform as they were unable to support our need for a time out feature.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2016-001	<p><b>Ohio Rev. Code § 117.38</b> provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.</p> <p><b>Ohio Adm. Code § 117-2-03(B)</b> requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Auglaize County Educational Academy (the AEA) prepared its financial statements for fiscal years 2016 and 2015 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.</p>	Not corrected	<p>Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statement on a cash-basis is a better way to allocate those funds.</p> <p>Comment first reported for fiscal year ended June 30, 2005.</p>

Auglaize County Educational Academy is an Equal Opportunity school and does not discriminate with regard to race, color, religion, national origin, gender, age, or handicapped status.



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2016-002	<p><b>Ohio Rev. Code § 3314.08(H)</b>, in relevant part, provides that the Ohio Department of Education (ODE) adjust the amounts subtracted and paid under division (C) of that section to reflect the enrollment in community schools of students for less than the equivalent of a full school year. The state board of education within ninety days after April 8, 2003, was obligated to act under Chapter 119 of the Revised Code to adopt rules governing the payments to community schools under the section including initial payments in a school year, adjustments, and reductions made in subsequent periodic payments to community schools, and corresponding deductions from school district accounts, as provided under division (C) of the section.</p> <p><b>Ohio Rev. Code § 3314.08(H)(2)</b> states, in part, that “A student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student’s enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, ‘learning opportunities’ shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student’s instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school.”</p>	Fully corrected	<p>1. Calculated FTEs based on days not hours        a. ACE Academy has made the change to adjusting percent of time based on the documented hours of learning opportunities divided by the total possible hours a student could have access to.</p> <p>2. Did not keep durational support a. Weekly hours were documented, but at the time of the audit, the data was no longer available. Due to this finding, we have changed our procedures to run weekly durational reports and document them on a yearly spreadsheet.</p> <p>3. Contract with sponsor did not define student participation        a. The contract has been amended to define student participation.</p> <p>Comment first reported for June 30, 2016</p>
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<p><b>Ohio Rev. Code § 3314.08(H)(3)</b> states the following, “The department shall determine each community school student’s percentage of full-time equivalency (FTE) based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school’s entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year.”</p> <p>In addition, <b>Ohio Rev. Code § 3314.03(A)(11)(a)</b> states, in relevant part, that “The school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year.”</p> <p>Upon the initial examination of 10 student files we noted that, while the Auglaize County Educational Academy (the AEA) was capturing computer and non-computer learning opportunities, the FTE being reported for each student was based on the number of days the student was enrolled. If a student was enrolled for the entire school year, the AEA reported in the Education Management Information System (EMIS) an FTE of one for the student. Similarly, if a student was enrolled for a portion of the year, the student’s FTE was adjusted accordingly. The AEA did not adjust FTE for actual learning duration for each student in EMIS, which could result in the AEA over reporting FTE in EMIS.</p>		
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# ACE Academy

<p>After noting that the AEA was tracking FTE based on the enrollment period, we selected four students to determine if the time of duration captured by the computer system and non-computer logs were reasonable when compared to the FTE reported to ODE. However, per correspondence with its LMS (Schoology), this date is purged by the LMS and can only be obtained for the previous 90 days upon request. Therefore, we are unable to substantiate FTEs reported by the Academy based on durational support. Further, upon review of the AEA's contract with the Auglaize Educational Service Center (the "Sponsor"); we noted the contract and attachments extensively define the educational curriculum utilized by the AEA. The contract and attachments, however, do not specify how the AEA should document "student participation" pursuant to requirements established by law, and, therefore, how the Sponsor could effectively monitor such compliance. The inclusion of such documentation would facilitate the AEA's compliance with requirements and standards established by law. We recommend the Auglaize County Educational Academy review current statutory requirements and guidance issued by ODE to determine the documentation needed to support the FTE data to be reported for each student. Once the AEA has a clear understanding of what is required to support FTE, the AEA should review and if applicable, update, current policies and procedures to capture all critical elements of time spent by students on computer, as well as, non-computer learning opportunities. This matter will be referred to the Ohio Department of Education.</p>		
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OHIO AUDITOR OF STATE  
**KEITH FABER**



**AUGLAIZE COUNTY EDUCATIONAL ACADEMY**

**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  
JULY 23, 2019**