



Mary Taylor, CPA  
Auditor of State



**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Miamisburg Secondary Digital Academy Community School  
Montgomery County  
540 East Park Avenue  
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited the accompanying financial statements of Miamisburg Secondary Digital Academy Community School, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03 (B) requires the Academy 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 Miamisburg Secondary Digital Academy Community School, Montgomery County, Ohio, as of June 30, 2009, and the respective change in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010, on our consideration of the Academy'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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 5, 2010

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The discussion and analysis of Miamisburg Secondary Digital Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

In total, net assets increased \$120,023 or 27.8%, a significant change from the prior fiscal year. This was due to fiscal year 2008 being the third year of operations of the Academy and the program continuing to expand into the 2009 academic year. The Academy's general receipts, those being primarily state foundation payments were \$528,593 or 96.1% of the total cash received during the fiscal year. Dependence upon this revenue source is significant.

**Using this Annual Report**

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

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

The Statement of Net Assets provides information about the cash activities of the whole Academy. The Statement of Revenues, Disbursements, and Change in Net Assets – Cash Basis provide a greater level of detail.

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

The notes to the financial statements are an integral part of the financial statements and provide expanded explanations and details regarding the information reported in the statements referenced above.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**The Academy as a Whole**

The following table provides a summary of the Academy's net assets for the fiscal year 2009 compared to fiscal year 2008.

<b>Comparison of Net Assets</b>		
	<b>2008</b>	<b>2009</b>
<b>Assets:</b>		
Cash	\$432,160	\$552,183
Total Assets	432,160	552,183
<b>Net Assets:</b>		
Unrestricted	432,160	552,183
Total Net Assets	\$432,160	\$552,183

As mentioned previously, total net assets increased \$120,023 or 27.8% from the previous fiscal year. The primary reason contributing to the increase in cash balance is that 2009 was the third year of operations for the Academy. As such, the program continued to grow in enrollment in the 2009 school year. The enrollment is expected to remain relatively consistent over the next several years. This also illustrates the Academy's extreme dependence on the unrestricted state funding. The following table reflects the change in the Academy's net assets in fiscal year 2009 compared to fiscal year 2008.

<b>Comparison of Change in Net Assets</b>		
	<b>2008</b>	<b>2009</b>
<b>Operating Revenues:</b>		
State Foundation	\$529,963	\$528,593
Total Operating Revenues	529,963	528,593
<b>Operating Disbursements:</b>		
Purchased Services	337,433	405,291
Materials and Supplies	39,048	17,742
Capital Outlay	1,391	1,451
Other	5,641	5,609
Total Operating Disbursements	383,513	430,093
Operating Income	146,450	98,500
<b>Non-Operating Revenues:</b>		
Federal & State Grants	54,573	11,107
Interest Income	1,622	10,416
Total Non-Operating Revenues	56,195	21,523
Change in Net Assets	\$202,645	\$120,023

State foundation payments represent 96.1% of total revenues. These are unrestricted intergovernmental revenues while non-operating revenues consisting of federal and state grants and interest income make up the remainder of the Academy's total revenues.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

The major operating disbursements are purchased services. The following table illustrates the change in the Academy's total purchased services disbursements in fiscal year 2009 compared to fiscal year 2008.

<b>Comparison of Purchased Service Expenditures</b>		
	<b>2008</b>	<b>2009</b>
Regular Instruction	\$223,292	\$250,615
Special Instruction	17,110	23,200
Other Instruction	456	5,214
Support Services – Pupils	37,314	35,711
Support Services – Instructional Staff	719	2,882
Support Services – Administration	28,725	58,490
Fiscal Services	16,000	16,000
Support Services – Central	13,817	13,179
Total Purchased Services	<u>\$337,433</u>	<u>\$405,291</u>

**Current Issues**

The challenge for all schools is to provide quality education with fewer monies available to spend. Online schools are able to capitalize upon this since fewer full-time personnel are needed to educate students. Also, the Academy is able to provide individualized attention when needed.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mark A. Schiel, Treasurer/CFO, at the following address.

Miamisburg Secondary Digital Academy  
Attention: Mark A. Schiel, Treasurer/CFO  
540 East Park Avenue  
Miamisburg, Ohio 45342

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MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS  
CASH BASIS  
AS OF JUNE 30, 2009

**Assets:**

**Current Assets:**

Cash	<u>\$552,183</u>
Total Assets	<u><u>552,183</u></u>

**Net Assets:**

Unrestricted	<u>552,183</u>
Total Net Assets	<u><u>\$552,183</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, DISBURSEMENTS, AND CHANGE IN NET ASSETS  
CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Operating Revenues:</b>	
State Foundation Payments	<u>\$528,593</u>
<b>Operating Disbursements:</b>	
Purchased Services	405,291
Materials and Supplies	17,742
Capital Outlay	1,451
Other	<u>5,609</u>
Total Operating Disbursements	<u>430,093</u>
Operating Income	<u>98,500</u>
<b>Non-Operating Revenues:</b>	
Federal & State Grants	11,107
Investment Income	<u>10,416</u>
Total Non-Operating Revenues	<u>21,523</u>
Change in Net Assets	120,023
Total Net Assets - Beginning	<u>432,160</u>
Total Net Assets - Ending	<u><u>\$552,183</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. DESCRIPTION OF THE ENTITY**

Miamisburg Secondary Digital Academy Community School (the Academy) is a non-profit corporation established pursuant to Ohio Revised Code chapters 1702 and 3314 to address the growing need for a comprehensive educational program delivered to students in the 7-12 population primarily through distance learning technologies and computer based classroom curriculum. The comprehensive educational program will address special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The Academy was approved for operations under contract with the Miamisburg City School District (the Sponsor) for a period of five years commencing April 28, 2005. The Academy accepted students beginning August 23, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or termination of the contract prior to its expiration.

The Academy operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Board of Directors has entered into a one year service contract with Tri-River Educational Computer Association (TRECA) to provide instructional, administrative, and technical services required for the operation of the Academy (See Note 5). The Board of Directors has entered into a one year service contract with Miamisburg City School District to provide planning, instructional, administrative, and technical services required for the operation of the Academy (See Note 6).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the Academy chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. The Academy recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**A. Basis of Presentation**

**Business-Type Accounting**

The Academy uses business-type accounting to track and report on its financial activities. Business-type 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**B. 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 Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor or otherwise adopted by the Board of Directors. The contract also states the Academy will follow the operating procedures recommended by the Auditor of State, including those related to regular presentation, review, discussion, and approval or rejection of the budget and reports of current and encumbered expenses.

**C. Cash**

All monies received by the Academy are maintained in a demand deposit account.

**D. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program. Revenues from this program are recognized as operating revenues in the accompanying financial statements. The Academy also receives federal and state grant monies.

**E. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants restricted to cash disbursements for specified purposes. The Academy's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**3. DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$303,058 of the Academy's bank balance of \$553,058 was exposed to custodial credit risk because those deposits are uninsured and uncollateralized.

The Academy has no deposit policy for custodial risk.

**4. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For fiscal year 2009, the Academy was insured for commercial inland marine, general liability, and property as part of the Miamisburg City School District's policy. During fiscal year 2009, the Academy contracted with The Netherlands Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$107,303,675 for property and a \$2,500 deductible. The Netherlands Insurance also covers auto insurance for actual cash value with a \$500 deductible.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

General liability insurance is under The Netherlands Insurance Company. The base policy has a \$1,000,000 per occurrence and \$2,000,000 aggregate limit. The Treasurer is bonded separately.

Settled claims have not exceeded commercial coverage for the past three years. There has been no significant reduction in insurance coverage from the prior fiscal year.

**5. CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION**

The Academy entered into a one year contract on June 24, 2008 for fiscal year 2009 with Tri-Rivers Educational Computer Association (TRECA). Under the contract, the following terms were agreed upon.

- TRECA shall provide the Academy with instructional, supervisory/administrative; and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy 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.
- The technical services provided by TRECA to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the Academy, with primary responsibility for day-to-day operations of the Academy.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- The Academy shall pay TRECA a base cost of \$3,875 per full-time high school student. However, the Academy has elected to not receive some services from TRECA included in the base cost per student. As a result, the Academy pays \$2,850 per full-time high school student. Part-time students may be enrolled on such terms as are agreed to by the parties.

In fiscal years 2009 and 2008, the Academy paid TRECA \$98,170 and \$94,830, respectively.

To obtain TRECA's audited financial statements for the fiscal year ended June 30, 2009, please contact Scott Armstrong, Chief Financial Officer, at [scott@treca.org](mailto:scott@treca.org).

**6. RELATED PARTY TRANSACTIONS**

Miamisburg City School District (Sponsor) provides planning, instructional, administrative, and technical services required for the operation of the Academy.

Total payments made to the Miamisburg City School District equaled \$278,849 out of which \$271,231 was for the use of facilities and personnel. See Note 7 for details.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**7. CONTRACT WITH MIAMISBURG CITY SCHOOL DISTRICT**

- Miamisburg City School District shall provide the Academy with education and meeting space, instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of Miamisburg City School District under the agreement shall be employees of Miamisburg City Schools and Miamisburg City Schools 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.
- The technical services provided by Miamisburg City School District to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operations.

In fiscal years 2009 and 2008, the Academy paid Miamisburg City School District \$278,849 and \$210,231, respectively.

To obtain Miamisburg City School District's audited financial statements for the period ending June 30, 2009, please contact Mark A. Schiel, Treasurer/CFO, at [mschiel@miamisburg.k12.oh.us](mailto:mschiel@miamisburg.k12.oh.us).

**8. JOINTLY GOVERNED ORGANIZATIONS**

Metropolitan Dayton Educational Cooperative Association – The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy, and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Educational Service Center. The Academy paid MDECA \$2,106 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**9. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**9. CONTINGENCIES (Continued)**

**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 conclusions of the fiscal year 2009 review resulted in the Academy owing \$21,288 which it will pay over 20 months starting January 2010.

**10. FISCAL AGENT**

The Academy utilizes the services of Miamisburg City School District as its fiscal officer.

**11. PURCHASED SERVICES**

The major operating disbursements are purchased services. Purchased services are shown in greater detail below.

Professional & Technical Services	\$244,666
Property Services	54,225
Travel and Meetings	2,597
Tuition	103,384
Other	419
Total Purchased Services	<u>\$405,291</u>

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# Mary Taylor, CPA

Auditor of State

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

Miamisburg Secondary Digital Academy Community School  
Montgomery County  
540 East Park Avenue  
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited the financial statements of the business-type activity of Miamisburg Secondary Digital Academy Community School, Montgomery County, (the Academy), as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 5, 2010, wherein, we noted the Academy uses a comprehensive accounting basis other than generally accepted accounting principles. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting  
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated February 5, 2010.

**Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated February 5, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

February 5, 2010

MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2009

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

FINDING NUMBER 2009-001

**Noncompliance**

**Ohio Admin. Code Section 117-2-03 (B)** requires community schools to report (but not necessarily account) on a generally accepted accounting principles (GAAP) basis. Additionally, **Exhibit 2 of the Academy's contract with its sponsor** requires the School's records to conform to GAAP and all other appropriate guidelines established by the Auditor of State. The Academy prepared its financial statements on Other Comprehensive Basis of Accounting (OCBOA) that has been prescribed by the Auditor of State and American Institute of Certified Public Accountants (AICPA) for certain small local governments like villages and townships. The departure from GAAP resulted in an opinion modification on the accompanying financial statements.

GAAP financial statements provide a more detailed overview of the Academy's financial condition. The Academy should consider presenting GAAP financial statements. Failure to do so would result in opinion modifications in future audits and may result in a lower credit rating if the Academy needs to borrow money.

**Officials' Response:**

We did not receive a response from Officials to this finding.

FINDING NUMBER 2009-002

**Noncompliance**

**Ohio Rev. Code Section 117.38** requires GAAP-Basis entities must file annual reports within 150 days of their fiscal year end. Additionally, this section states public offices must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Academy filed its report with the Auditor of State's Office on January 6, 2010 which was past the 150 day deadline. The Academy also did not have proof of the required publication notice. The Academy should implement procedures to verify that the annual report is filed with the Auditor's Office within the 150 day limit and verify that the required publication notice is made.

**Officials' Response:**

We did not receive a response from Officials to this finding.

FINDING NUMBER 2009-003

**Significant Deficiency**

**Board Financial Monitoring**

There was no documentation regarding the Board receiving financial information to monitor the Academy's financial activity on a consistent basis. Due to the sum of money controlled by the Treasurer's office and the small number of fiscal staff, the Board of Directors (the Board) should monitor the financial activity on a routine basis. Lack of financial monitoring could result in material misclassifications or misstatements in the annual financial report.

**FINDING NUMBER 2009-003  
(Continued)**

At each regular meeting, the Treasurer should provide the Board with detailed financial reports. The reports given should also include grant status, current expenditures, and the current fund cash balances. The Board should carefully review this information, make appropriate inquiries to determine the integrity of the information, and approve the reports in the minutes. In addition, these amounts should be reviewed to determine that the amounts budgeted at the beginning of the year are adequate for the operations of the Academy. These financial reports should be documented as approved by Board to indicate financial monitoring has occurred.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Board Monitoring of Financial Information/Activity	No	Repeated as Finding Number 2009-003
2008-002	Ohio Admin Code Section 117-2-03(B) – Reporting on Generally Accepted Accounting Principles (GAAP)	No	Repeated as Finding Number 2009-001

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# Mary Taylor, CPA

Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Miamisburg Secondary Digital Academy Community School  
Montgomery County  
540 East Park Avenue  
Miamisburg, Ohio 45342

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Miamisburg Secondary Digital Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 14, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
  - 6) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

- 7) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
    - 1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
    - 2) A procedure for documenting any prohibited incident that is reported;
    - 3) A procedure for responding to and investigating any reported incident.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 5, 2010



**Mary Taylor, CPA**  
Auditor of State

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL**  
**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 16, 2010**