



Mary Taylor, CPA
Auditor of State

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Auglaize Special Needs School (ASN), Auglaize County, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the ASN'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 ASN 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 cash financial position of the Auglaize Special Needs School, Auglaize County, as of June 30, 2008, and the changes in cash financial position, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2009, on our consideration of the ASN'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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 3, 2009

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Auglaize Special Needs School (ASN) financial performance provides an overall review of ASN's financial activities for the fiscal year ended June 30, 2008, within the limitations of cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of ASN's financial performance.

Using the Basic Financial Statements

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

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

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

Table 1 provides a summary of ASN's net assets for fiscal year 2008 and fiscal year 2007:

Table 1			
Net Assets			
	2008	2007	Change
Assets:			
Current Assets	\$156,861	\$221,814	(\$64,953)
Net Assets:			
Restricted For:			
Other Purposes	3,174	9,830	(6,656)
Unrestricted	153,687	211,984	(58,297)
Total Net Assets	\$156,861	\$221,814	(\$64,953)

Net assets decreased in fiscal year 2008, in the amount of \$64,953. During fiscal year 2008, the cost of operating ASN was greater than receipts from grants and Foundations.

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2
Change in Net Assets**

	2008	2007	Change
Operating Receipts			
Foundation	\$721,872	\$ 771,668	(\$49,796)
Total Operating Revenues	721,872	771,668	(49,796)
Non-Operating Receipts			
Interest Revenue	4,536	10,712	(6,176)
Operating Grants	33,705	299,703	(265,998)
Total Non-Operating Receipts	38,241	310,415	(272,174)
Total Receipts	760,113	1,082,083	(321,970)
Operating Disbursements			
Purchased Services	744,026	776,820	32,794
Materials and Supplies	80,215	153,418	73,203
Other	100	495	395
Capital Outlay	725	5,701	4,976
Total Disbursements	825,066	936,434	111,368
Increase (Decrease) in Net Assets	(64,953)	145,649	(210,602)
Net Assets of Beginning of Year	221,814	76,165	145,649
Net Assets at End of Year	\$156,861	\$221,814	(\$64,953)

Foundation payments and operating grants decreased in fiscal year 2008. Foundation payments are primarily based on average daily membership. The number of students enrolled in ASN decreased by 4.5 students in fiscal year 2008. Operating grants decreased from receiving the final apportionment of start-up grants in fiscal year 2007.

The majority of purchased services disbursements were for the payment for administrative services to the Auglaize County Educational Service Center. During fiscal year 2007, ASN disbursed a portion of the start-up grants for materials and supplies and capital outlay.

Budgeting

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

Current Issues

The enrollment of ASN is capped at thirty-nine students. The philosophy of ASN is to concentrate on a small group of students. During fiscal year 2009, costs have continued to increase but receipts have remained consistent to date. The Board is constantly reviewing operation to determine needs.

Contacting ASN's Financial Management

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

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$156,861</u></u>
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Net Assets:

Restricted for Other Purposes	3,174
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Unrestricted	<u>153,687</u>
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Total Net Assets	<u><u>\$156,861</u></u>
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See accompanying notes to the basic financial statements.

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN NET ASSETS
CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Operating Receipts:	
Foundation	<u>\$721,872</u>
Operating Disbursements:	
Purchased Services	744,026
Materials and Supplies	80,215
Other	100
Capital Outlay	725
Total Operating Disbursements	<u>825,066</u>
Operating Loss	(103,194)
Non-Operating Receipts (Disbursements):	
Interest Revenue	4,536
Operating Grants	33,705
Total Non-Operating Receipts (Disbursements)	<u>38,241</u>
Change in Net Assets	(64,953)
Net Assets at Beginning of Year	<u>221,814</u>
Net Assets at End of Year	<u><u>\$156,861</u></u>

See accompanying notes to the basic financial statements.

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL

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

ASN 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 academic year 2003. ASN became operational in November 2004. On June 27, 2008, the Auglaize County Educational Service Center (the Sponsor) renewed the contract for operation with ASN beginning on July 1, 2008, for a five-year period. Auglaize County Educational Service Center is responsible for evaluating the performance of ASN and has the authority to deny renewal of the contract at its expiration. Auglaize County Educational Service Center is also the fiscal agent of ASN with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for ASN.

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

During fiscal year 2008, ASN purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for ASN. (See Note 7)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of ASN's accounting policies.

A. Basis of Presentation

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

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

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

ASN's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in ASN'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 revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, except for Ohio Rev. Code Section 5705.391(A) which requires the school to prepare a five year projection. The contract between ASN and its Sponsor does prescribe an annual budget requirement.

D. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

E. Cash and Cash Equivalents

Cash and cash equivalents held by ASN are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by ASN or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

ASN first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available. ASN did not have any net assets restricted by enabling legislation at fiscal year end.

G. Operating Receipts and Disbursements

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

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. COMPLIANCE

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

4. DEPOSITS AND INVESTMENTS

At June 30, 2008, the carrying amount of deposits and the ASN's bank balance was \$156,861. Based on the criteria described in GASB Statement No 40, "*Deposit and Investment Risk Disclosure*," as of June 30, 2008, none of ASN's bank balance of \$156,861 was exposed to custodial risk.

Custodial credit risk is the risk that in the event of bank failure, the ASN will not be able to recover the deposits. All deposits in excess of FDIC coverage are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at members banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specified collateral held at the Federal Reserve Bank in the name of the ASN.

The ASN had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with ASN or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits secure.

5. RISK MANAGEMENT

ASN 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 2008, ASN had the following insurance coverage provided through the Auglaize County Educational Service Center:

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

General Liability	\$3,000,000
Automobile Liability	3,000,000
Building and Contents	2,990,066

6. FISCAL AGENT

The agreement with the Auglaize County Educational Service Center states the Treasurer of the Auglaize County Educational Service Center shall serve as the fiscal officer of ASN. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of ASN:

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. FISCAL AGENT (Continued)

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

7. RELATED PARTY TRANSACTIONS

During fiscal year 2008, purchased services and materials and supplies were obtained from the Auglaize County Educational Service Center by ASN, in the amount of \$789,194. The amount of these purchased services and materials and supplies was as follows:

Service	Amount
Salaries	\$401,649
Fringe Benefits	112,507
Purchased Services	195,629
Materials and Supplies	79,409
Total	\$789,194

8. CONTINGENCIES

A. Grants

ASN received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of ASN at June 30, 2008.

B. 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. As of June 30, 2008, the ASN owed the Ohio Department of Education \$21, which was deducted from the July 2008 State Foundation Payment.

C. Litigation

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



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*

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

To the Board of Directors:

We have audited the financial statements of the Auglaize Special Needs School, Auglaize County, (the ASN), as of and for the year ended June 30, 2008, and have issued our report thereon dated March 3, 2009, wherein we noted the ASN uses a comprehensive basis of accounting 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 ASN'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 ASN's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the ASN's internal control over financial reporting.

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 ASN'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 ASN's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that was reported to the ASN's management in a separate letter dated March 3, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the ASN's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance or other matter that we reported to ASN's management in a separate letter dated March 3, 2009..

ASN's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

March 3, 2009

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance - Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) and Community School Contract (10/15/02) Article III B Financial Plan requires the Auglaize Special Needs School (ASN) to prepare its annual financial report in accordance with generally accepted accounting principles.

ASN prepared its financial statements and notes following 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. Pursuant to Ohio Rev. Code Section 117.38, the ASN may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Auglaize Special Needs School should prepare their financial statements in accordance with generally accepted accounting principles.

Officials' Response:

Our Board of Directors has determined that the additional cost required to prepare and audit GAAP statements cannot be justified.

**AUGLAIZE SPECIAL NEEDS SCHOOL
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Revised Code Section 117.38 Ohio Adm. Code Section 117-2-03(B) - Failure to prepare annual financial report in accordance with generally accepted accounting principles.	No	Repeated as finding 2008-001.



Mary Taylor, CPA
Auditor of State

AUGLAIZE SPECIAL NEEDS SCHOOL

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2009**