



Mary Taylor, CPA
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008	3
Statement of Net Assets – Cash Basis - As of June 30, 2008.....	7
Statement of Revenues, Disbursements, and Change in Net Assets – Cash Basis - For the Fiscal Year Ended June 30, 2008	8
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	18

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Miamisburg Secondary Digital Academy Community School
Montgomery County
540 E. Park Ave
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited the accompanying financial statements Miamisburg Secondary Digital Academy Community School, Montgomery County, (the Academy), as of and for the year ended June 30, 2008, 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 Section 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, as of June 30, 2008 and the respective change in financial position thereof and 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 April 23, 2009, 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, which consisted 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

April 23, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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, 2008, 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 \$202,645 or 88.3%, a significant change from the prior fiscal year. This was due to fiscal year 2007 being the second year of operations and the Academy and the program continuing to expand into the 2008 academic year. The Academy's general receipts, those being primarily state foundation payments were \$529,963 or 90.4% 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 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 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 Changes 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.

The Academy as a Whole

The following table provides a summary of the Academy's net assets for the fiscal year 2008 compared to fiscal year 2007.

Comparison of Net Assets		
	<u>2007</u>	<u>2008</u>
Assets:		
Cash	<u>\$229,515</u>	<u>\$432,160</u>
Total Assets	<u>229,515</u>	<u>432,160</u>
Net Assets:		
Unrestricted	<u>229,515</u>	<u>432,160</u>
Total Net Assets	<u>\$229,515</u>	<u>\$432,160</u>

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

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

As mentioned previously, total net assets increased \$202,645 or 88.3% from the previous fiscal year. The primary reason contributing to the increase in cash balance is that 2007 was the second year of operations for the Academy. As such, the program continued to grow in enrollment in the 2008 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 on unrestricted state funding. The following table reflects the change in the Academy's net assets in fiscal year 2008 compared to fiscal year 2007.

Comparison of Change in Net Assets		
	2007	2008
Operating Revenues:		
State Foundation	\$501,036	\$529,963
Total Operating Revenues	501,036	529,963
Operating Disbursements:		
Purchased Services	388,577	337,433
Materials and Supplies	96,287	39,048
Capital Outlay	63,072	1,391
Other	3,803	5,641
Total Operating Disbursements	551,739	383,513
Operating Income (Loss)	(50,703)	146,450
Non-Operating Revenues:		
Federal & State Grants	127,300	54,573
Interest Income	1,622	1,622
Total Non-Operating Revenues	127,300	56,195
Change in Net Assets	\$ 76,597	\$202,645

State foundation payments represent 90.4% of total revenues. These unrestricted intergovernmental revenues while non-operating revenues make up the remainder of the Academy's total revenues.

The major operating disbursements are purchased services. The following table illustrates the change in the Academy's total purchased services disbursements in fiscal year 2008 compared to fiscal year 2007.

Comparison of Purchased Service Expenditures		
	2007	2008
Instruction Services	\$237,222	\$223,292
Special Education Services	23,057	17,110
Other Instruction	342	456
Pupil Support Services	53,464	37,314
Instructional Support Services	6,500	719
Administrative Services	34,905	28,725
Fiscal Services	23,000	16,000
Support Services – Central	10,087	13,817
Total Purchased Services	\$388,577	\$337,433

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.

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

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

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, CFO/Treasurer, at the following address.

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

This page intentionally left blank.

MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
CASH BASIS
AS OF JUNE 30, 2008

Assets

Current Assets:

Cash	<u>\$432,160</u>
Total Assets	<u><u>432,160</u></u>

Net Assets

Unrestricted	<u>432,160</u>
Total Net Assets	<u><u>\$432,160</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, 2008**

Operating Revenues:	
State Foundation Payments	<u>\$529,963</u>
Operating Disbursements:	
Purchased Services	337,433
Materials and Supplies	39,048
Capital Outlay	1,391
Other	<u>5,641</u>
Total Operating Disbursements	<u>383,513</u>
Operating Income (Loss)	<u>146,450</u>
Non-Operating Revenues (Disbursements):	
Federal & State Grants	54,573
Investment Income	<u>1,622</u>
Total Non-Operating Revenues	<u>56,195</u>
Change in Net Assets	202,645
Total Net Assets - Beginning	<u>229,515</u>
Total Net Assets - Ending	<u><u>\$432,160</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, 2008**

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 on the first day of 2005-2006 academic year. 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 7).

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, 2008
(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, \$335,187 of the Academy's bank balance of \$435,187 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 2008, the Academy was insured for commercial inland marine, general liability, and property as part of the Miamisburg City School District policy. During fiscal year 2008, the Academy contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$104,892,310 for property and a \$2,500 deductible. Indiana Insurance also covers auto insurance for actual cash value with a \$500 deductible. General liability insurance is under Indiana Insurance Company. The base policy has a \$1,000,000 per occurrence and \$1,000,000 aggregate limit. The Treasurer is bonded separately.

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

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

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

5. CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The Academy entered into a one year contract on August 13, 2007 for fiscal year 2008 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 \$3,750 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 2008 and 2007, the Academy paid TRECA \$94,830 and \$134,514, respectively.

To obtain TRECA's audited financial statements for the fiscal year ended June 30, 1008, please contact Scott Armstrong, Treasurer, at scott@treca.org.

6. RELATED PARTY TRANSACTIONS

Miamisburg City Schools (Sponsor) provides planning, instructional, administrative, and technical services required for the operation of the Academy. Additionally, employees of the Sponsor served as the Board of Directors for the Academy during the fiscal year.

Total payments made to the Miamisburg City School District equaled \$210,231 out of which \$208,970 was for the use of facilities and personnel. See Note 7 for details.

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.

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

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

7. CONTRACT WITH MIAMISBURG CITY SCHOOL DISTRICT (Continued)

- 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 2008 and 2007, the Academy paid Miamisburg City School District \$210,231 and \$225,548, respectively.

To obtain Miamisburg City School District's audited financial statements for the period ending June 30, 2008, please contact Mark A. Schiel, CFO/Treasurer, at 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 \$1,985 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, 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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 2008 review resulted in the Academy owing \$27,602 which it will pay over 20 months starting November 2008.

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	\$196,986
Property Services	28,000
Travel and Meetings	807
Communications	133
Other	16,221
Tuition	<u>95,286</u>
Total Purchased Services	<u><u>\$337,433</u></u>

This page intentionally left blank.



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 E. Park Ave.
Miamisburg, Ohio 45342

To the Board of Directors:

We have audited the basic 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, 2008, and have issued our report thereon dated April 23, 2009, 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 2008-001 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 do not believe the significant deficiency described above is a material weakness.

We noted a certain matter that we reported to the Academy's management in a separate letter dated April 23, 2009.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 23, 2009.

We intend this report solely for the information and use of the 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

April 23, 2009

MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

Significant Deficiency

There was no documentation regarding the Board receiving financial information to monitor the Academy's financial activity on a consistent basis. Only three meetings had documentation of the Board approving bills and approving financial activity. 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.

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.

FINDING NUMBER 2008-002

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 3 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.

We did not receive a response from officials to the findings reported above.

**MIAMISBURG SECONDARY DIGITAL ACADEMY COMMUNITY SCHOOL
MONTGOMERY 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; <i>Explain</i>
2007-001	Board's monitoring of financial information/ activity.	No	Repeated as finding number 2008-001
2007-002	Ohio Admin. Code Section 117-2-03 (B) - Reporting on generally accepted accounting principles (GAAP)	No	Repeated as finding number 2008-002
2007-003	Ohio Rev. Code 5705.391 and Ohio Admin. Code 3301-92-04 – adopting and submitting a spending plan.	No	Partially corrected. Repeated as management letter comment.



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
MAY 19, 2009