

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

STEPHEN EARNEST, TREASURER



Dave Yost • Auditor of State

Board of Directors
Goal Digital Academy
890 West Fourth Street, Suite 400
Mansfield, Ohio 44906

We have reviewed the *Independent Accountants' Report* of the Goal Digital Academy, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Goal Digital Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 31, 2012

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**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

GOAL Digital Academy Community School
890 W. Fourth Street, Suite 400
Mansfield, Ohio 44906

To the Board of Directors:

We have audited the accompanying basic financial statements of the GOAL Digital Academy Community School, Richland County, Ohio, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the GOAL Digital Academy Community School'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GOAL Digital Academy Community School, as of June 30, 2012, and the changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of the GOAL Digital Academy Community School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
GOAL Digital Academy Community School
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 29, 2012

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

The management's discussion and analysis of the GOAL Digital Academy Community School's (the "GDA") financial performance provides an overall review of the GDA's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the GDA's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the GDA's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets were \$512,689 at June 30, 2012.
- The GDA had operating revenues of \$2,151,676 and operating expenses of \$2,570,524 for fiscal year 2012. The GDA's operating loss and decrease in net assets for the fiscal year was \$418,848 and \$380,961, respectively.
- The GDA is the fiscal agent for the North East Jobs for Ohio's Graduates (JOG) program. Activities related the GDA's fiscal agent responsibilities for the JOG program have been reported as non-operating revenues and expenses in the GDA's financial statements.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the GDA's financial activities. The statement of net assets and statement of revenues, expense and changes in net assets provide information about the activities of the GDA, including all short-term and long-term financial resources and obligations.

Reporting the GDA Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2012?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

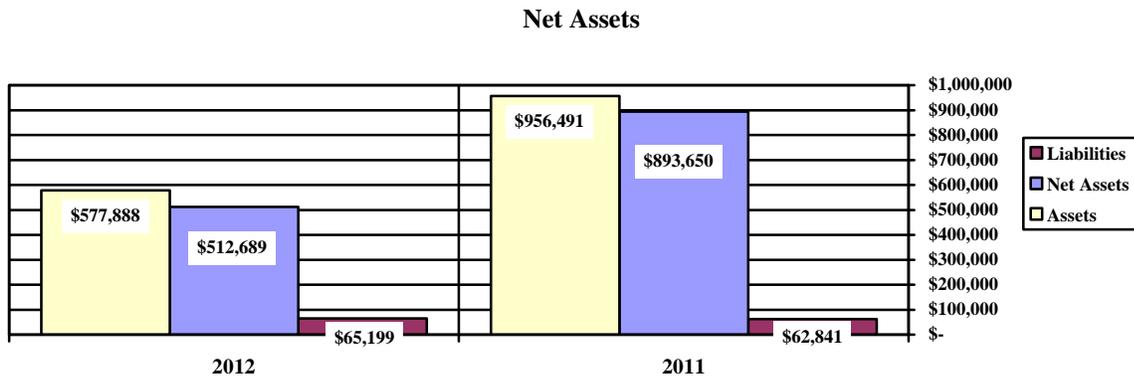
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Net Assets		
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 392,933	\$ 696,487
Capital assets, net	<u>184,955</u>	<u>260,004</u>
Total assets	<u>577,888</u>	<u>956,491</u>
<u>Liabilities</u>		
Current liabilities	<u>65,199</u>	<u>62,841</u>
Total liabilities	<u>65,199</u>	<u>62,841</u>
<u>Net assets</u>		
Invested in capital assets	184,955	260,004
Restricted	35,206	119,243
Unrestricted	<u>292,528</u>	<u>514,403</u>
Total net assets	<u>\$ 512,689</u>	<u>\$ 893,650</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the GDA's net assets totaled \$512,689, a 42.63% decrease from fiscal year 2011. The decrease in net assets is partially due to a decrease in current assets, primarily cash and cash equivalents, which were used in operations during fiscal year 2012. Cash and cash equivalents decreased \$312,545, or 73.00%, from the prior year.

At year-end, capital assets represented 32.01% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending. The table below provides a summary of the GDA's net assets, liabilities and assets for 2012 and 2011.



**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

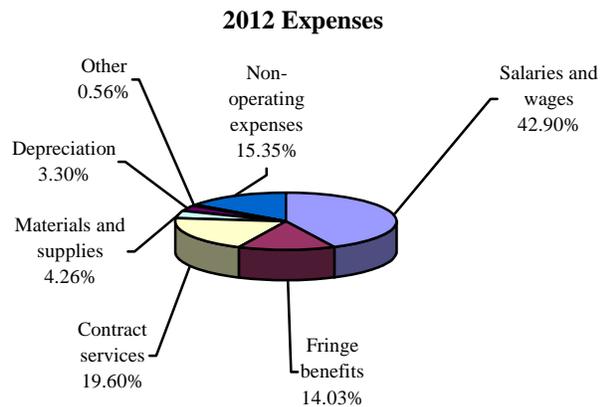
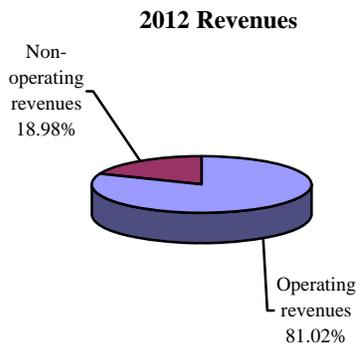
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Change in Net Assets

	<u>2012</u>	<u>2011</u>
<u>Operating revenues:</u>		
State foundation	\$ 2,068,495	\$ 1,892,043
Other	<u>83,181</u>	<u>2,637</u>
Total operating revenue	<u>2,151,676</u>	<u>1,894,680</u>
<u>Operating expenses:</u>		
Salaries and wages	1,302,750	1,358,885
Fringe benefits	426,120	385,494
Contract services	595,084	785,644
Materials and supplies	129,281	102,135
Depreciation	100,360	82,982
Other	<u>16,929</u>	<u>18,034</u>
Total operating expenses	<u>2,570,524</u>	<u>2,733,174</u>
<u>Non-operating revenues (expenses):</u>		
State and federal grants	213,113	646,501
Interest income	380	81
Fiscal agent activities:		
JOG program revenues	290,504	464,919
JOG program expenses	<u>(466,110)</u>	<u>(483,610)</u>
Total non-operating revenues (expenses)	<u>37,887</u>	<u>627,891</u>
Change in net assets	(380,961)	(210,603)
Net assets at beginning of year	<u>893,650</u>	<u>1,104,253</u>
Net assets at end of year	<u>\$ 512,689</u>	<u>\$ 893,650</u>

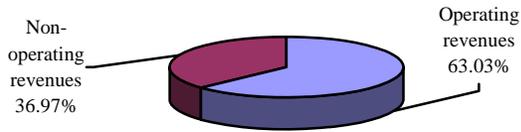
The charts below illustrate the revenues and expenses for the GDA during fiscal years 2012 and 2011:



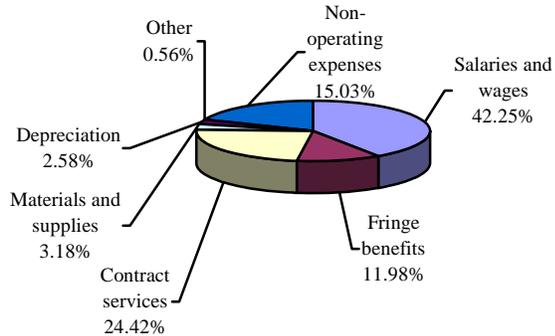
**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

2011 Revenues



2011 Expenses



Capital Assets

At June 30, 2012, the GDA had \$184,955 invested in furniture and equipment. See Note 6 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The GOAL Digital Academy (GDA) is a conversion community E-School sponsored by Mid-Ohio Educational Service Center. This sponsorship was renewed and runs from July 1, 2012 through June 30, 2016.

GDA operates under less restrictive guidelines than a traditional “brick and mortar” school; and thus, is capable of providing their curriculum/education in a more cost-effective manner. Also, unlike traditional schools, a community school cannot levy any taxes and must survive on State revenues and donations. At this time GDA relies solely on State funding for their resources. That being stated, GDA’s is looking at salary and staff restructuring in order to balance the five year forecast. Additional resources outside of State funds are projected in the upcoming five-years.

GOAL Digital Academy is committed to operating within its financial means, and to working with the local community and agencies it serves to provide the required educational programs for its students.

Contacting the GDA Treasurer

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of GDA’s finances and to show GDA’s accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact Steve Earnest, Treasurer, at GOAL Digital Academy, 890 West Fourth Street, Suite 400, Mansfield, Ohio 44906.

**BASIC
FINANCIAL STATEMENTS**

GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
Current assets:	
Cash and cash equivalents	\$ 115,591
Receivables:	
Intergovernmental	275,841
Prepayments.	<u>1,501</u>
Total current assets	<u>392,933</u>
Non-current assets:	
Capital assets, net	<u>184,955</u>
Total assets	<u>577,888</u>
Liabilities:	
Current liabilities:	
Accounts payable.	29
Accrued wages and benefits	47,616
Pension obligation payable.	5,869
Due to other governments	<u>11,685</u>
Total liabilities	<u>65,199</u>
Net assets:	
Invested in capital assets	184,955
Restricted for:	
State funded programs.	4,000
Federally funded programs	31,206
Unrestricted	<u>292,528</u>
Total net assets	<u>\$ 512,689</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
State foundation	\$ 2,068,495
Other	<u>83,181</u>
Total operating revenues	<u>2,151,676</u>
Operating expenses:	
Salaries and wages	1,302,750
Fringe benefits	426,120
Contract services	595,084
Materials and supplies	129,281
Depreciation	100,360
Other	<u>16,929</u>
Total operating expenses	<u>2,570,524</u>
Operating loss	<u>(418,848)</u>
Non-operating revenues (expenses):	
State and federal grants.	213,113
Interest income	380
Fiscal agent activities:	
JOG program revenues	290,504
JOG program expenses	<u>(466,110)</u>
Total nonoperating revenues (expenses)	<u>37,887</u>
Change in net assets.	(380,961)
Net assets at beginning of year	<u>893,650</u>
Net assets at end of year.	<u><u>\$ 512,689</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Cash received from State foundation	\$ 2,073,049
Cash received from other operations	83,181
Cash payments for personal services	(1,719,886)
Cash payments for contractual services	(601,724)
Cash payments for materials and supplies	(129,267)
Cash payments for other expenses	(17,015)
	<hr/>
Net cash used in operating activities	(311,662)
Cash flows from noncapital financing activities:	
Cash received from State and federal grants	163,019
Fiscal agent activities:	
Cash received from JOG program	327,139
Cash used in payments for JOG program	(466,110)
	<hr/>
Net cash provided by noncapital financing activities	24,048
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(25,311)
	<hr/>
Net cash used in capital and related financing activities	(25,311)
Cash flows from investing activities:	
Interest received	380
	<hr/>
Net cash provided by investing activities	380
Net decrease in cash and cash equivalents	(312,545)
Cash and cash equivalents at beginning of year	428,136
Cash and cash equivalents at end of year	\$ 115,591
	<hr/> <hr/>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (418,848)
Adjustments:	
Depreciation	100,360
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	4,554
Increase in prepayments	(86)
Decrease in accounts payable	(6,626)
Increase in accrued wages and benefits	2,606
Increase in intergovernmental payable	5,153
Increase in pension obligation payable	1,225
	<hr/>
Net cash used in operating activities	\$ (311,662)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL

GOAL Digital Academy Community School (“GDA”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. GDA is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. GDA’s objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K - 12 population entirely through distance learning technologies. It is to be operated in cooperation with the Mid-Ohio Educational Service Center (the “Mid-Ohio ESC”) to provide an innovative and cost-effective solution to the 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 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. GDA, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. GDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

GDA was certified by the State of Ohio Secretary of State as a non-profit organization on April 23, 2002. GDA was approved for operation under a contract with Mount Gilead Exempted Village School District for a five year period commencing September 4, 2002. Sponsorship was subsequently transferred to Mid-Ohio ESC on July 1, 2007 for a five year period. Mid-Ohio ESC is responsible for evaluating the performance of GDA and has the authority to deny renewal of the contract at its expiration.

GDA operates under the direction of the Treasurer and a five-member Board of Directors. The Board of Directors consists of five appointed members who represent a cross-section of the community and have been selected for their expertise in assisting GDA to achieve its mission and purposes. The GDA Treasurer shall be a non-voting ex officio member of GDA’s 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of GDA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GDA also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. GDA has elected not to apply FASB guidance issued after November 30, 1989. GDA's significant accounting policies are described below.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows reflect how GDA finances and meets its cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its sponsor. The contract between GDA and Mid-Ohio ESC requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

D. Cash

All monies received by GDA are deposited in a demand deposit account. For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the GDA are presented on the financial statements as cash equivalents. The GDA did not have any investments during fiscal year 2012.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. GDA maintains a capitalization threshold of \$500 for non-technical and non-audiovisual equipment and \$200 for technical and audiovisual equipment. GDA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to fifteen years.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

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

F. Operating Revenues and Expenses

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

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

GDA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Intergovernmental Revenue

GDA currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Federal and State grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which GDA must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to GDA on a reimbursement basis.

GDA participates in various programs through the Ohio Department of Education. These include the Title I, IDEA Part B, School Improvement, Race to the Top, Improving Teacher Quality, Education Jobs and other miscellaneous State and federal grants.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by GDA and the expense is recorded when used. GDA has prepaid items for insurance of \$1,501 at June 30, 2012.

J. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all GDA deposits was \$115,591. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012. GDA’S entire bank balance of \$228,497 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, GDA’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of GDA. GDA has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and are statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject GDA to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental receivables arising from grants and entitlements and North East Jobs for Ohio’s Graduates program (“JOG”) related revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	<u>Amount</u>
Intergovernmental:	
Education Jobs	\$ 50,507
School Improvement	31,206
Title I	98,322
Title II - D	796
IDEA Part-B	6,645
JOG participants	<u>88,365</u>
Total intergovernmental receivable	<u><u>\$ 275,841</u></u>

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 6 - CAPITAL ASSETS

A summary of capital assets at June 30, 2012 follows:

	Balance <u>6/30/11</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/12</u>
Furniture and equipment	\$ 700,838	\$ 25,311	\$ -	\$ 726,149
Less: accumulated depreciation	<u>(440,834)</u>	<u>(100,360)</u>	<u>-</u>	<u>(541,194)</u>
Net capital assets	<u>\$ 260,004</u>	<u>\$ (75,049)</u>	<u>\$ -</u>	<u>\$ 184,955</u>

NOTE 7 - RISK MANAGEMENT

GDA 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. GDA has contracted with the Ohio Casualty Company for general liability insurance and property insurance. GDA transfers the entire risk of loss, less any deductible, to the commercial carrier. The following limits and deductibles are in aggregate for GDA. The Ohio Casualty Insurance Company provides general liability coverage. The general liability coverage insures up to \$1,000,000 each occurrence with a \$2,000,000 annual aggregate with additional excess liability/commercial umbrella coverage up to \$2,000,000 each occurrence with a \$3,000,000 annual aggregate.

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

The Ohio Casualty Insurance Company provides property, crime, and equipment breakdown insurance coverage. The property coverage insures up to a specific limit per location. Each location is insured to the value of property located at that location subject of a \$1,000 deductible; commercial crime covers up to \$25,000.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The GDA contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 8 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the GDA is required to contribute at an actuarially determined rate. The current GDA rate is 14 percent of annual covered payroll. A portion of the GDA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The GDA's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$95,226, \$84,391 and \$36,236, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The GDA participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The GDA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 8 - PENSION PLANS - (Continued)

The GDA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$118,221, \$126,663 and \$107,910, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Directors have elected Social Security. The GDA's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The GDA participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

The GDA's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$8,768, \$14,547 and \$4,385, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The GDA's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,624, \$5,431 and \$2,155, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The GDA contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The GDA's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$9,094, \$9,743 and \$8,301, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

NOTE 10 - CONTINGENCIES

A. Grants

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

The GDA received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the GDA at June 30, 2012, if applicable, cannot be determined at this time.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 10 - 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. As a result of the review after fiscal year end, GDA owes \$7,758 to the Ohio Department of Education.

C. Litigation

GDA is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 11 - SERVICE CONTRACT

Mid-Ohio ESC and GDA entered into a service contract agreement. This agreement states that GDA may contract for various services from the Mid-Ohio ESC and reimburse the Board of Governors for these services. Mid-Ohio ESC agreed to provide the requested services and receive reimbursement from GDA pursuant to Ohio Revised Code Section 3317.11.

Mid-Ohio ESC's Board of Governors agreed to provide on an as-needed, or available basis, the following services for GDA:

1. Instructional services for all grade levels.
2. Collaboration for staff development programs for certified and non-certified staff.
3. Planning and consultative services for curriculum development.
4. Psychological services as needed for re-evaluations and initial multi-factored evaluations.
5. Fiscal services including payroll, retirement, and insurance.
6. Student services including E.M.I.S., Nursing, Speech, Guidance, and Therapy.
7. Classroom space and administrative services.
8. Custodial services.
9. Supervision/Director services.
10. Technology support.

Mid-Ohio ESC acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Governors may enter into employment contracts with each certified teacher/administrator/aid whose services are to be shared with Mid-Ohio ESC. Other services may be provided based on mutual consent of both GDA and Mid-Ohio ESC.

**GOAL DIGITAL ACADEMY COMMUNITY SCHOOL
RICHLAND COUNTY, OHIO**

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

NOTE 12 - CONTRACT SERVICES

Contract services include the following:

Professional and technical services	\$ 76,414
Property services	153,470
Travel mileage/meeting expense	77,829
Communications	131,939
Utilities	4,383
Tuition and other similar payments	3,880
Pupil transportation	4,757
Curriculum leasing	113,699
Other	<u>28,713</u>
Total	<u>\$ 595,084</u>

The above transactions are related party transactions since these services are purchased through the sponsor, Mid-Ohio ESC.

NOTE 13 - RELATED PARTY TRANSACTIONS

During 2012, GDA and Mid-Ohio ESC renewed their sponsorship agreement through June 30, 2016. In fiscal year 2012, payments were made by GDA to Mid-Ohio ESC totaling \$135,652 for services provided by Mid-Ohio ESC to GDA.

NOTE 14 - OPERATING LEASE AGREEMENT

GDA entered into a lease agreement for the period September 15, 2010 through June 30, 2012 with Mid-Ohio ESC for space to house GDA. On June 27, 2012, GDA renewed the lease for the period July 1, 2012 through June 30, 2016.

NOTE 15 - FISCAL AGENT ACTIVITIES

Effective August 1, 2010, the GDA became fiscal agent for the North East Jobs for Ohio's Graduates program (JOG). As fiscal agent, GDA processes all receipts and expenses of the JOG program. Revenues and expenses associated with the GDA's fiscal agent relationship for the JOG program have been recorded on GDA's financial statements as non-operating revenues and expenses. At June 30, 2012, a \$88,365 receivable has been recorded for services billed by the GDA as fiscal agent for JOG program but not yet received from the participating school districts.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

GOAL Digital Academy Community School
890 W. Fourth Street, Suite 400
Mansfield, Ohio 44906

To the Board of Directors:

We have audited the financial statements of the GOAL Digital Academy Community School, Richland County, Ohio, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. 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 GOAL Digital Academy Community School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the GOAL Digital Academy Community School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the GOAL Digital Academy Community School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the GOAL Digital Academy Community School's financial statements will not be prevented, or detected and timely corrected.

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

Board of Directors
GOAL Digital Academy Community School

Compliance and Other Matters

As part of reasonably assuring whether the GOAL Digital Academy Community School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the GOAL Digital Academy Community School's management in a separate letter dated October 29, 2012.

We intend this report solely for the information and use of the management and Board of Directors of the GOAL Digital Academy Community School, the Mid-Ohio Educational Service Center (the "Sponsor") and others within the GOAL Digital Academy Community School. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
October 29, 2012



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Independent Accountants' Report on Applying Agreed-Upon Procedure

GOAL Digital Academy Community School
890 W. Fourth Street, Suite 400
Mansfield, Ohio 44906

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the GOAL Digital Academy Community School has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 3, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Directors of the GOAL Digital Academy Community School, the Mid-Ohio Educational Service Center (the Sponsor), and others within the GOAL Digital Academy Community School and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
October 29, 2012

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Dave Yost • Auditor of State

GOAL DIGITAL ACADEMY COMMUNITY SCHOOL

RICHLAND 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
JANUARY 15, 2013