



Dave Yost • Auditor of State

GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Assets For the Period Ended November 30, 2012	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10
Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Required by <i>Government</i> <i>Auditing Standards</i>	17
Schedule of Findings.....	19
Independent Accountants' Report on Applying Agreed-Upon Procedure	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Graham Digital Academy
Champaign County
370 East Main Street
St. Paris, Ohio 43072

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Graham Digital Academy, Champaign County, Ohio (the Academy), a component unit of Graham Local School District, as of and for the period ended November 30, 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graham Digital Academy, Champaign County as of November 30, 2012, and the changes in its financial position and its cash flows for the period then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11, the Academy ceased operations on November 30, 2012 due to declining student enrollment.

As discussed in Note 10 to the financial statements, during the period ended November 30, 2012, the Academy adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 16, 2013, except as to Note 11, which is as of November 7, 2013.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Management's Discussion and Analysis
For the Period Ended November 30, 2012
(Unaudited)*

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

Financial Highlights

Key financial highlights for the period ended November 30, 2012 are as follows:

- Total net position was \$87,329, which is a decrease of \$48,447 from the balance of fiscal year 2012.
- Total assets at November 30, 2012 were \$113,593, a decrease of \$31,841 from the balance of the prior fiscal year.
- Liabilities totaled \$26,264, which is an increase from the \$9,658 reported for fiscal year 2012.
- Operating revenues equaled \$52,015 and non-operating revenues were \$485, which is a decrease of \$157,626 and \$33,549, respectively from fiscal year 2012.
- Total operating expenses amounted to \$100,947. The total operating expenses decreased from \$183,845, or 45.1%, from those reported in the prior fiscal year.
- Effective November 30, 2012 the Board of Directors made the decision to close the operations of the Academy due to limited enrollment.

Using this Annual Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net position

The statement of net position answers the question, "How did we do financially during the period?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the period, regardless of when the cash is received or paid.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Management's Discussion and Analysis
For the Period Ended November 30, 2012
(Unaudited)*

This statement reports the Academy's net position, however, in evaluating the overall financial position of the Academy, non-financial information such as the condition of the Academy building and potential changes in the laws governing digital schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the Academy's net position at November 30, 2012 compared with fiscal year 2012:

**TABLE 1
NET POSITION**

	<u>November 30, 2012</u>	<u>June 30, 2012</u>
ASSETS:		
Other Assets	\$ 110,422	141,237
Capital Assets, Net	<u>3,171</u>	<u>4,197</u>
 Total Assets	 <u>113,593</u>	 <u>145,434</u>
LIABILITIES:		
Current Liabilities	<u>26,264</u>	<u>9,658</u>
 Total Liabilities	 <u>26,264</u>	 <u>9,658</u>
NET POSITION:		
Net Investment in Capital Assets	3,171	4,197
Restricted for Specific Grant Programs	5,921	11,735
Unrestricted	<u>78,237</u>	<u>119,844</u>
 Total Net Position	 \$ <u>87,329</u>	 <u>135,776</u>

Total assets were \$113,593 at November 30, 2012, which is a decrease of \$31,841 from June 30, 2012. The primary reason for the decrease was a decrease in cash on hand from the prior fiscal year. The decrease in cash on hand was due to the cash expenditures of the Academy exceeding cash receipts in the current period.

Total liabilities were \$26,264, which consisted of intergovernmental payables and accounts payables. The liabilities reported as of November 30, 2012 were 172.0% more than those reported for the prior fiscal year due primarily to the increase of obligations.

The \$41,607 decrease in unrestricted net position reported at November 30, 2012 compared to the prior fiscal year is mainly the result of the current period decrease in cash on hand.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Management's Discussion and Analysis
For the Period Ended November 30, 2012
(Unaudited)*

Table 2 shows the changes in net position for the period ended November 30, 2012 compared with fiscal year 2012, as well as a listing of revenues and expenses.

**TABLE 2
CHANGE IN NET POSITION**

	<u>November 30, 2012</u>	<u>June 30, 2012</u>
OPERATING REVENUES:		
Foundation Payments	\$ 51,187	207,982
Miscellaneous	828	1,659
NON-OPERATING REVENUES:		
Grants	370	26,865
Other Revenue	-	6,628
Interest	115	238
Gain on Disposal of Capital Assets	-	303
	<hr/>	<hr/>
Total Revenues	52,500	243,675
	<hr/>	<hr/>
OPERATING EXPENSES:		
Purchased Services	90,653	167,746
Materials and Supplies	15	472
Miscellaneous	9,253	12,532
Depreciation	1,026	3,095
	<hr/>	<hr/>
Total Expenses	100,947	183,845
	<hr/>	<hr/>
Change in Net Position	\$ <u>(48,447)</u>	<u>59,830</u>

The Academy's activities are funded primarily from the state foundation program which provides funding based on a per pupil formula. Unlike traditional schools within the State of Ohio, community schools receive no support from the local community in the form of property taxes. Therefore, intergovernmental revenues from the state foundation program and specific educational federal and state grants are the only consistent revenue sources for the Academy. Revenue from the foundation program decreased from \$207,982 in fiscal 2012 to \$51,187 in the period ended November 30, 2012, due to the closure of the Academy as of November 30, 2012. Revenue from the foundation program is 97.5% of total revenues received by the Academy. Intergovernmental revenue (foundation program plus federal and state educational specific grants) are 98.2% of the total revenues reported by the Academy. It is clear the Academy is financially dependent on the State of Ohio continuing to fund community schools in a consistent manner from one period to the next.

Operating expenses decreased from \$183,845 in fiscal year 2012 to \$100,947 in the period ended November 30, 2012, a 45.1% decrease. The \$77,093 decrease in purchased services expenses relates directly to the closure of the Academy as of November 30, 2012.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Management's Discussion and Analysis
For the Period Ended November 30, 2012
(Unaudited)*

Capital Assets

At November 30, 2012, the capital assets of the Academy consisted of \$12,310 of computer equipment off-set by \$9,139 in accumulated depreciation resulted in net capital assets of \$3,171. No capital assets were added during the current period. During the period ending November 30, 2012, the Academy recorded depreciation expense of \$1,026.

See Note 4 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

Economic Factors

The Academy ceased operations as of November 30, 2012.

Contacting the Academy's Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Matthew Ketcham, Treasurer, at Graham Digital Academy, 370 East Main Street, St. Paris, Ohio 43072 or email at ketcham@mccesc.k12.oh.us.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**

Statement of Net Position
November 30, 2012

ASSETS:		
Cash	\$	106,464
Intergovernmental Receivables		3,958
Capital Assets:		
Capital Assets, net of accumulated depreciation		<u>3,171</u>
Total Assets		<u>113,593</u>
LIABILITIES:		
Accounts Payable		1,500
Intergovernmental Payable		<u>24,764</u>
Total Liabilities		<u>26,264</u>
NET POSITION:		
Net Investment in Capital Assets		3,171
Restricted for Specific Grant Programs		5,921
Unrestricted		<u>78,237</u>
Total Net Position	\$	<u>87,329</u>

See accompanying notes to the basic financial statements.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
Statement of Revenues, Expenses and
Changes in Net Position
For the Period Ended November 30, 2012

OPERATING REVENUES:	
Foundation Payments	\$ 51,187
Miscellaneous	<u>828</u>
Total Operating Revenues	<u>52,015</u>
OPERATING EXPENSES:	
Purchased Services	90,653
Materials and Supplies	15
Miscellaneous	9,253
Depreciation	<u>1,026</u>
Total Operating Expenses	<u>100,947</u>
Operating Loss	<u>(48,932)</u>
NON-OPERATING REVENUES:	
Grants	370
Interest	<u>115</u>
Total Non-Operating Revenues	<u>485</u>
Change in Net Position	(48,447)
Net Position, Beginning of Period	<u>135,776</u>
Net Position, End of Period	<u>\$ 87,329</u>

See accompanying notes to the basic financial statements.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
Statement of Cash Flows
For the Period Ended November 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Foundation Payments	\$ 51,187
Cash Payments for Goods and Services	(74,062)
Other Revenues	828
Other Expenses	<u>(9,253)</u>
Net Cash Used in Operating Activities	<u>(31,300)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grants Received	<u>4,926</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	<u>115</u>
Net Decrease in Cash	(26,259)
Cash, Beginning of Period	<u>132,723</u>
Cash, End of Period	\$ <u><u>106,464</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ <u>(48,932)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation	1,026
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(8,158)
Increase in Intergovernmental Payable	<u>24,764</u>
Total Adjustments	<u>17,632</u>
Net Cash Used in Operating Activities	\$ <u><u>(31,300)</u></u>

See accompanying notes to the basic financial statements.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Notes to the Basic Financial Statements
For the Period Ended November 30, 2012*

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The Graham Digital Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the Graham Local School District ("the Sponsor") for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 61.

The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy's program.

The Academy was approved for operation under contract with the Sponsor for a period of five years commencing July 1, 2007, which was originally renewed for a one year period ending June 30, 2013; however the Board of Directors, determined to cease the operations of the Academy as of November 30, 2012. 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 terminate the contract prior to its expiration. The Sponsor provided and maintained space at its Board of Education Office at no cost for the Academy during the period ended November 30, 2012.

The Academy operates under the direction of a seven-member Board of Directors appointed by the Sponsor. The Board consists of five voting members who are not employed by the sponsor and 2 non-voting members who hold administrative positions with the Sponsor. The Board of Directors is responsible for carrying out 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.

In fiscal year 2008, a service contract was approved between the Academy and the Sponsor for a five year period ending June 30, 2012, which was originally renewed for a one year period ending June 30, 2013; however the Board of Directors, determined to cease the operations of the Academy as of November 30, 2012. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. According to the contract, the total amount of these services is reimbursed for actual expenses incurred by the Sponsor. The Academy paid the Sponsor \$26,909 during the period ended November 30, 2012 for these services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy's personnel services were purchased from outside organizations during the period ended November 30, 2012.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic financial statements are prepared using the full accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the accounting period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the accounting period when the resources are required to be used or the accounting period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor requires the Academy to prepare a five-year annual budget detailing revenues and expenses.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Notes to the Basic Financial Statements
For the Period Ended November 30, 2012*

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the period. Donated capital assets are recorded at their fair market value as of the date received. The Academy capitalizes all assets over \$5,000 with a useful life of more than one year. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of office equipment and computers are computed using the straight-line method over estimated useful lives of five years.

G. Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Academy.

All revenues and expenses not meeting these definitions are reported as non-operating.

I. Intergovernmental Revenues

The Academy 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 have been met.

J. Grants

Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements for the grants are met.

K. Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Notes to the Basic Financial Statements
For the Period Ended November 30, 2012*

NOTE 3 – DEPOSITS AND INVESTMENTS

The Academy does not have a policy addressing custodial credit risk for its deposits. As of November 30, 2012, the Academy's bank balance of \$116,349 was covered by federal depository insurance of the Federal Deposit Insurance Corporation (FDIC). All statutory requirements for the deposit of money have been followed.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the period ended November 30, 2012, was as follows:

	Balance <u>6/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>11/30/2012</u>
<u>Capital Assets, being depreciated:</u>				
Office Equipment and Computer	\$ 12,310	-	-	12,310
Less: Accumulated Depreciation	<u>(8,113)</u>	<u>(1,026)</u>	<u>-</u>	<u>(9,139)</u>
Capital Assets, net	<u>\$ 4,197</u>	<u>(1,026)</u>	<u>-</u>	<u>3,171</u>

NOTE 5 – 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; injuries to employees; and natural disasters. During period ended November 30, 2012, the Academy contracted with the Argonaut Insurance Group for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage. Coverage provided through this company is as follows:

Argonaut Insurance Group

Property, including electronic data processing and business content damage.	\$ 300,000
Liability:	
General and employee benefits liability:	
Per occurrence	\$ 1,000,000
Aggregate annual total	3,000,000
Automobile and school board legal	1,000,000

Settled claims have not exceeded commercial coverage in any of the past five accounting periods, and there has not been a significant reduction in coverage from the prior fiscal year.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Notes to the Basic Financial Statements
For the Period Ended November 30, 2012*

NOTE 6 – 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 require 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 disallowed claims will not have a material adverse effect on the overall financial position of the Academy at November 30, 2012.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the school. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. This information was not available as of the date of this report. The Academy does not anticipate any material adjustments to state funding for the period ended November 30, 2012, as a result of such review.

NOTE 7 – FEDERAL TAX-EXEMPT STATUS

In accordance with the options granted under existing Ohio law and the Academy's relationship with Graham Local School District, the Academy is considered a governmental entity not subject to tax and is not required to file for not-for-profit tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code.

NOTE 8 – FISCAL AGENT AND ADMINISTRATIVE SERVICES

The Academy utilizes the services of the Madison-Champaign Educational Service Center for a variety of services including its Treasurer as the Academy's fiscal officer. The Academy does not directly pay the Treasurer or other individuals; however, it does reimburse the Madison-Champaign Educational Service Center for the services.

NOTE 9 – PURCHASED SERVICES

During the period ended November 30, 2012, purchased service expenses totaling \$90,653 were provided for services rendered by various vendors for fiscal services, data processing and professional and technical services in the amount of \$1,586, \$14,816 and \$74,251, respectively.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

During the period ended November 30, 2012, the Academy implemented GASB Statements No. 61, No. 62 and No. 63 which are described below.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modified the previous requirements for determining component units to be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this Statement had no effect on the Academy's beginning net position.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY, OHIO**
*Notes to the Basic Financial Statements
For the Period Ended November 30, 2012*

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which do not conflict with or contradict GASB pronouncements. The implementation of this Statement had no effect on the Academy's beginning net position.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement also identified net position as the residual of all other elements presented in a balance sheet, amending the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of the balance sheet and by renaming that measure as net position. This Statement had no effect on the Academy's beginning net position.

NOTE 11 – SUBSEQUENT EVENTS

A. Subsequent Cash Activity

As previously mention, the Board of Directors, determined to cease the operations of the Academy as of November 30, 2012. With approval of the Ohio Department of Education, the Academy's charter was officially terminated effective November 30, 2012. Subsequent to November 30, 2012, the Academy had cash receipts of \$25,883 and cash disbursements totaling \$31,777 resulting in a cash balance as of November 7, 2013 of \$100,570. Cash disbursements consisted of payments for purchased services for instructional personnel, support administrative services and other purchased services including annual report compilation and audit fees.

B. State Community School Closing Procedures

The Ohio Department of Education has established procedures to be followed when a community school is closed. The Academy's management completed these procedures as of May 16, 2013. All technology assets remaining at the Academy were sold via auction in February 2013 for \$20,600. The remaining assets of the Academy as of November 7, 2013 will be disposed of in accordance with State regulations. As of November 7, 2013, the Academy had outstanding audit fees in the amount of \$902. All remaining audit fees will be remitted to the Auditor of State and all remaining cash will be provided to the Ohio Department of Education.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Graham Digital Academy
Champaign County
370 East Main Street
St. Paris, Ohio 43072

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Graham Digital Academy, Champaign County, (the Academy), a component unit of Graham Local School District, as of and for the period ended November 30, 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 16, 2013 except as to Note 11, which is as of November 7, 2013 wherein we noted the Academy adopted provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We also noted the Academy ceased operations on November 30, 2012.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

October 16, 2013, except as to Note 11 which is as of November 7, 2013.

**GRAHAM DIGITAL ACADEMY
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2012**

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Administrative Code § 117-6-07 requires the fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Revised Code Section 3314.011. A separate bond had not been obtained for the Treasurer. Failure to obtain a separate bond for the Treasurer could lead to the Academy not having any recourse should a monetary loss occur.

Officials' Response:

We did not receive a response from officials regarding this matter.

This page intentionally left blank.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Graham Digital Academy
Champaign County
370 East Main Street
St. Paris, Ohio 43072

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 Graham Digital Academy (the Academy) 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 29, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

October 16, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

GRAHAM DIGITAL ACADEMY

CHAMPAIGN 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
DECEMBER 17, 2013**