



Dave Yost • Auditor of State



ALADDIN ACADEMY  
MERCER COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Aladdin Academy  
Mercer County  
441 E. Market Street  
Celina, Ohio 45822

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of Aladdin Academy, Mercer County, Ohio (the Academy), as of and for the period of July 1, 2014 to September 30, 2015, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of Aladdin Academy, Mercer County, Ohio, as of and for the period July 1, 2014 to September 30, 2015, and the respective changes in cash financial position thereof for the period then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As disclosed in Note 12, the Academy ceased its operations effective June 30, 2015.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2016 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

April 15, 2016

**Aladdin Academy**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Period from July 1, 2014 to September 30, 2015*  
*(Unaudited)*

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The management's discussion and analysis of Aladdin Academy's (the "Academy") financial performance provides an overall view of the Academy's financial activities for the period from July 1, 2014 through September 30, 2015. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

### **Financial Highlights**

Key financial highlights for period from July 1, 2014 to September 30, 2015 are as follows:

- In total, net position was \$0 at September 30, 2015, which is a decrease of \$193,224 from fiscal year 2014.
- As of June 30, 2015, the Board has closed operations of Aladdin Academy; however, these financial statements are reported through September 30, 2015 to capture all closeout activity.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These cash basis statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of receipts, disbursements and change in cash basis net position provide information about the activities of the Academy, including how services were financed in the short-term and what remains for future spending.

### **Reporting the Academy's Financial Activities**

#### ***Statement of Receipts, Disbursements and Change in Cash Basis Net Position***

These documents look at all financial transactions and ask the question, "How did we do financially during the period from July 1, 2014 through September 30, 2015?" The statement of receipts, disbursements and change in cash basis net position answers this question.

This statement reports the Academy's change in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. This statement can be found on page 7 of this report.

**Aladdin Academy**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Period from July 1, 2014 to September 30, 2015*  
*(Unaudited)*

Table 1 provides a summary of the Academy's net position for fiscal year 2015.

**Table 1**  
Net Position – Cash Basis

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash	\$ 0	\$ 193,224
<b>Net Position</b>		
Unrestricted	\$ 0	\$ 193,224

Table 2 shows the change in net position for fiscal year 2015.

**Table 2**  
Change in Net Position

	<b>2015</b>	<b>2014</b>
<b>Operating Receipts</b>		
State Foundation	\$ 384,266	\$ 347,709
Facilities Aid	4,780	4,245
State Distributed Casino Receipts	4,048	0
<i>Total Operating Receipts</i>	393,094	351,954
<b>Operating Disbursements</b>		
Purchased Services	506,718	129,811
Materials and Supplies	52,843	13,046
Capital Outlay	10,864	15,160
Other	16,351	791
<i>Total Operating Disbursements</i>	586,776	158,808
<i>Operating Income (Loss)</i>	(193,682)	193,146
<b>Non-Operating Receipts</b>		
Other	360	0
Interest	98	78
<i>Total Non-Operating Receipts</i>	458	78
<i>Change in Net Position</i>	(193,224)	193,224
<i>Net Position Beginning of Year</i>	193,224	0
<i>Net Position End of Year</i>	\$ 0	\$ 193,224

**Aladdin Academy**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Period from July 1, 2014 to September 30, 2015*  
*(Unaudited)*

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The statements of receipts, disbursements, and change in cash basis net position show the cost of operating disbursements and the receipts offsetting those services. Table 2 shows the total amount of operating and non-operating receipts associated with those disbursements. That is, it identifies the amount of operating disbursements supported by State and other funding.

The dependence upon state foundation revenue for operating activities is apparent. Most of these monies were used for purchased services. The Academy's foundation receipts are 98 percent of total receipts. State sources are by far the primary support for the Aladdin Academy.

### **Current Financial Related Activities**

It should be noted the Aladdin Academy was closed effective June 30, 2015, at the request of the majority of the superintendents in the Mercer County school systems (these were the same schools served by Aladdin). The decision was made to restore the programming provided by the Aladdin Academy through the Mercer County Educational Service Center (ESC), with the understanding the individual schools will have to cover the full cost of the newly-revised programming. Since Aladdin Academy served students now being served in fiscal year 2016 by the Mercer County ESC, the Mercer County ESC determined it will cover any outstanding liabilities that may occur after June 30, 2015 related to Aladdin Academy. It should also be noted there were no fiscal agent fees paid to the Mercer County ESC (sponsor fees) for either fiscal year 2014 or through June 30, 2015, and the final (second half fiscal year 2015) bill to Aladdin for personnel-related services could not be fully paid (due to lack of sufficient funding) by Aladdin to Mercer County ESC, therefore Mercer County ESC assumed that cost.

### **Contacting the Community Academy's Financial Management**

This financial report is designed to provide our clients 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 questions about this report or need additional information contact: Mary Brandon, Treasurer, Aladdin Academy, 441 East Market Street, Celina, Ohio 45822.

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**Aladdin Academy**  
**Mercer County, Ohio**

*Statement of Receipts, Disbursements and Change in Cash Basis Net Position*  
*For the Period from July 1, 2014 through September 30, 2015*

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<b>Operating Receipts</b>	
State Foundation	\$ 384,266
Facilities Aid	4,780
State Distributed Casino Receipts	<u>4,048</u>
<i>Total Operating Receipts</i>	<u>393,094</u>
<b>Operating Disbursements</b>	
Purchased Services	506,718
Materials and Supplies	52,843
Capital Outlay	10,864
Other	<u>16,351</u>
<i>Total Operating Disbursements</i>	<u>586,776</u>
<i>Operating Income (Loss)</i>	<u>(193,682)</u>
<b>Non-Operating Receipts</b>	
Other	360
Interest	<u>98</u>
<i>Change in Net Position</i>	(193,224)
<i>Net Position Beginning of Year</i>	<u>193,224</u>
<i>Net Position End of Year</i>	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements.

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**Aladdin Academy**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Period from July 1, 2014 through September 30, 2015*

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**NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

Aladdin Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of at-risk students in grades 6 through 12. The Academy, which is part of the State’s education program, is independent of any school district and 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 was approved for operation under a contract with the Board of Education of the Mercer County Educational Service Center (the “Sponsor”) for a period of five years commencing with fiscal year July 1, 2013 through June 30, 2018. 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. As of June 30, 2015, the Academy has closed operations.

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

The Academy is associated with one insurance pool, the Schools of Ohio Risk Sharing Authority. The Academy is also associated with one jointly governed organization, the Northwest Ohio Area Computer Services Cooperative. These organizations are presented in Notes 8 and 9 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy’s accounting policies.

***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 where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Academy’s basic financial statements consist of a Statement of Receipts, Disbursements and Change in Cash Basis Net Position.

**Aladdin Academy**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Period from July 1, 2014 through September 30, 2015*

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***B. Basis of Accounting***

Basis of accounting refers to when receipts and disbursements are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the Academy chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

***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 Rev. Code Chapter 5705, with the exception of 5705.391. All other budgetary provisions are not required to be followed, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Fiscal Agent requires the Academy to provide the Fiscal Agent with an Annual Appropriation Resolution that will budget the necessary revenues and expenses in sufficient amounts as to not incur a deficit balance in any of the Academy's designated accounts.

***D. Cash***

All monies received by the Academy are accounted for by the Academy's Fiscal Agent, the Mercer County Educational Service Center. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name.

Cash held by the Academy is reflected as "Cash" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Academy had no investments in fiscal year 2015.

***E. Inventory and Prepaid Items***

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**Aladdin Academy**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Period from July 1, 2014 through September 30, 2015*

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***F. Capital Assets and Depreciation***

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not reflect these items as assets.

***G. Tax Exemption Status***

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy's status as an integral part of its sponsoring political subdivision, the Mercer County Educational Service Center.

***H. Intergovernmental Receipts***

The Academy currently participates in the State Foundation Program, the Public Charter Schools Program and the State Special Education Program. Receipts received from these programs are recognized as operating receipts in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating receipts 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 year 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.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

***I. Operating Receipts and Disbursements***

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

***J. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the reporting period.

**Aladdin Academy**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Period from July 1, 2014 through September 30, 2015*

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***K. Net Position***

Equity is classified as net position and is displayed in separate components. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

**NOTE 3 - DEPOSITS**

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Academy's name. During the reporting period, the Academy and public depositories complied with the provisions of these statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy 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 all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

At September 30, 2015, the carrying amount of the Academy's deposits was \$0 and the bank balance was \$0. There are no significant statutory restrictions regarding the deposit and investment of funds by the Academy.

**NOTE 4 – PURCHASED SERVICES**

For the period from July 1, 2014 to September 30, 2015, purchased service disbursements were as follows:

	<u>2015</u>
Professional Services	\$ 503,482
Travel, Mileage and Meetings	<u>3,236</u>
Total	<u>\$ 506,718</u>

**Aladdin Academy**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Period from July 1, 2014 through September 30, 2015*

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**NOTE 5 – FISCAL AGENT**

The School entered into a Fiscal Agent Agreement with the Mercer County Educational Service Center. As part of this agreement, the Treasurer of the Mercer County Educational Service Center serves as the Fiscal Officer of the Academy. The Academy shall compensate the fiscal agent three percent of the Academy's total annual revenues ("Service Fee"), paid in quarterly installments. During the reporting period, the Academy paid no fiscal agent service fees to the ESC.

**NOTE 6 – PAYMENTS TO SPONSOR / RELATED PARTY TRANSACTIONS**

The Academy Sponsorship Contract between the Academy and Mercer County Educational Service Center (the "Sponsor") outlined the specific payments to be made by the Academy to the Sponsor during fiscal year 2015. In addition, the Academy Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by the Sponsor. The Academy paid the Sponsor \$451,679 during the reporting period for salaries and benefits.

**NOTE 7 – 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 the reporting period, the Academy contracted for the following insurance coverage.

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

General Liability	
Occurrence	\$ 15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000
Building and Contents	10,110

Settled claims did not exceed this commercial coverage in the past two years. There has not been a significant reduction in coverage from the prior year.

For the reporting period, the Academy participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

**Aladdin Academy**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Period from July 1, 2014 through September 30, 2015*

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**NOTE 8 – INSURANCE PURCHASING POOL**

The Academy participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

The Northwest Ohio Area Computer Services Cooperative ("NOACSC") is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based on a per pupil charge dependent on the software package utilized. The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Ray Burden, Executive Director, 645 South Main Street, Lima, Ohio 45804.

**NOTE 10 - CONTINGENCIES**

***A. Grants***

The Academy received financial assistance from State agencies in the form of grants. The disbursement 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 Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at September 30, 2015, if applicable, cannot be determined at this time.

***B. Full-Time Equivalency***

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. In September 2015, the Academy received \$3,466 from the State through foundation receipts for an underpayment for fiscal year 2015.

**Aladdin Academy**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Period from July 1, 2014 through September 30, 2015*

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***C. Litigation***

The Academy is not party to any claims or lawsuits that would, in the Academy's opinion, have a material effect of the basic financial statements.

**NOTE 11 - ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code Section 117-2-03 requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2015, the Academy prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities and disclosures that, while material, cannot be determined at this time.

**NOTE 12 - OPERATIONS**

As of June 30, 2015, the Board has closed operations of Aladdin Academy.

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# 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

Aladdin Academy  
Mercer County  
441 E. Market Street  
Celina, Ohio 45822

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 cash basis financial statements of the Aladdin Academy, Mercer County, (the Academy) as of and for the period July 1, 2014 to September 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated April 15, 2016, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles and as disclosed in Note 12, the Academy ceased its operations effective June 30, 2015.

### ***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 2015-001.

***Academy's Response to Finding***

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

***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

April 15, 2016

**ALADDIN ACADEMY  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE PERIOD JULY 1, 2014 TO SEPTEMBER 30, 2015**

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

**FINDING NUMBER 2015-001**

**NONCOMPLIANCE**

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

**Ohio Adm. Code §117-2-03 (B)** requires community schools to file annual financial reports which are prepared using generally accepted accounting principles. However the Academy prepared its financial statements for 2015 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38, the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Academy should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, and the disclosures to provide a completed presentation of financial status.

**Official's Response:**

The use of GAAP financial reporting and subsequent higher audit costs are detrimental to the organization's finances and find the use of OCBOA reporting, which is acceptable by AICPA, provides excellent year-end financial reporting for the entity.

**ALADDIN ACADEMY  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE PERIOD JULY 1, 2014 TO SEPTEMBER 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	<b>Ohio Rev. Code Section 117.38 &amp; Ohio Admin. Code Section 117-2-03(B)</b> – Failure to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP).	No	Not corrected, Repeated as Finding 2015-001



# Dave Yost • Auditor of State

**ALADDIN ACADEMY**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 17, 2016**