



Dave Yost • Auditor of State

**MIAMISBURG SECONDARY ACADEMY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Miamisburg Secondary Academy
Montgomery County
540 East Park Avenue
Miamisburg, Ohio 45342

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Miamisburg Secondary Academy, Montgomery County, Ohio (the School), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the School'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 School'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 School'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miamisburg Secondary Academy, Montgomery County, Ohio, as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

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*, 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 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 May 11, 2016, on our consideration of the 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. 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 School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 11, 2016

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of the Miamisburg Secondary Academy, Montgomery County, Ohio (the School) financial performance provides an overall review of the School's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statement and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- For fiscal year 2015 assets exceeded liabilities by \$517,662 which is a sixteen percent increase over fiscal year 2014.
- The School derived 99 percent of their revenues through federal and state programs.
- Purchased services accounted for 94 percent of the \$458,414 in operating expenses for fiscal year 2015 as the School outsources the personnel costs to Miamisburg City Schools.
- The School saw net position increase by \$72,519 during the year.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of three components: the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the School's net position changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the School's cash and how it changed during the most recent fiscal year.

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table 1 provides a summary of the School's net position for fiscal year 2015 compared to fiscal year 2014.

Table 1			
Net Position			
	2015	2014	Change
Assets			
Current assets	\$519,121	\$441,272	\$77,849
Capital assets, net	5,807	12,983	(7,176)
<i>Total assets</i>	524,928	454,255	70,673
Liabilities			
Current liabilities	7,266	9,112	(1,846)
Net Position			
Net investment in capital assets	5,807	12,983	(7,176)
Restricted	16,500	0	16,500
Unrestricted	495,355	432,160	63,195
<i>Total net position</i>	\$517,662	\$445,143	\$72,519

The School saw capital assets decrease as the School added no assets during the year to offset the current year depreciation and net amount of the disposals. The current assets increased as the School increased the cash balance by \$67,294 during the year.

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table 2 shows the change in net position for the year ended 2014 compared to fiscal year 2015.

Table 2
Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues			
Operating revenues:			
Foundation payments	\$479,560	\$491,831	(\$12,271)
Other operating revenues	53	156	(103)
Non-operating revenues:			
Federal and state grants	51,445	66,070	(14,625)
Interest	821	745	76
Total revenues	<u>531,879</u>	<u>558,802</u>	<u>(26,923)</u>
Expenses			
Operating expenses:			
Purchased services	430,035	463,526	(33,491)
Materials and supplies	22,149	48,957	(26,808)
Depreciation	6,230	6,639	(409)
Non-operating expenses:			
Loss on disposal of assets	946	0	946
Total Expenses	<u>459,360</u>	<u>519,122</u>	<u>(59,762)</u>
Change in Net Position	72,519	39,680	<u>\$32,839</u>
Beginning Net Position	<u>445,143</u>	<u>405,463</u>	
Ending Net Position	<u>\$517,662</u>	<u>\$445,143</u>	

The School saw revenues decrease from 2014 to 2015 despite the enrollment remaining the same (79) between the two years. Factors, such as, targeted assistance per pupil and economic disadvantaged index changed between the two year resulting in less revenue during fiscal year 2015. The grant revenues decreased as the classification of students under the title programs changed decreased the number in the programs slightly. The School did decrease the purchased services expense for the current year based on the current student population needs. Since the School contracts with the Miamisburg City School District for staffing, the School can revise the service contract based on the number of students.

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Capital Assets

At the end of 2015, the School had \$5,807 (net of \$148,854 in accumulated depreciation) invested in furniture and equipment. Table 3 shows the fiscal year 2015 balances compared to fiscal year 2014:

Table 3
Capital Assets at June 30 (net)

	2015	2014	Change
Furniture and Equipment	\$154,661	\$163,139	(\$8,478)
Depreciation:			
Furniture and Equipment	(148,854)	(150,156)	(1,302)
Totals	\$5,807	\$12,983	(\$7,176)

For more information on the School's capital assets refer to Note 5 of the notes to the financial statements.

Debt

At June 30, 2015, the School had no outstanding debt.

Current Financial Issues

The School saw enrollment remain constant from fiscal year 2014 through fiscal year 2015 based on 79 FTE students. The School receives its finances mostly from state aid. Per pupil aid for fiscal year 2015 as of June 2015 amounts to \$6,160 per student on only 79 FTE, which is down \$130 per student compared to fiscal year 2014.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact the Tammy Emrick, Treasurer, at Miamisburg Secondary Academy, 540 East Park Avenue, Miamisburg, Ohio 45342, or call by calling (937) 866-3381.

**MIAMISBURG SECONDARY ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET POSITION**

AS OF JUNE 30, 2015

Assets:

Current assets:

Cash and cash equivalents	\$ 506,821
Intergovernmental receivable	12,300
Total current assets	<u>519,121</u>

Noncurrent assets:

Depreciable Capital assets	<u>5,807</u>
Total noncurrent assets	<u>5,807</u>

Total Assets 524,928

Liabilities:

Current liabilities

Accounts payable	1,745
Intergovernmental payable	<u>5,521</u>

Total Liabilities 7,266

Net Position:

Net investment in capital assets	5,807
Restricted	16,500
Unrestricted	<u>495,355</u>

Total Net Position \$ 517,662

See accompanying notes to the basic financial statements

**MIAMISBURG SECONDARY ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Fiscal Year Ended June 30, 2015

Operating Revenues:	
Foundation payments	\$ 479,560
Other operating revenues	53
	<hr/>
Total operating revenues	479,613
	<hr/>
Operating Expenses:	
Purchased services	430,035
Materials and supplies	22,149
Depreciation	6,230
	<hr/>
Total operating expenses	458,414
	<hr/>
Operating Income	21,199
	<hr/>
Non-Operating Revenues and Expenses:	
Federal and state grants	51,445
Loss on disposal of capital assets	(946)
Interest	821
	<hr/>
Total non-operating revenues and expenses	51,320
	<hr/>
Change in net position	72,519
Net position at beginning of year	445,143
	<hr/>
Net position at end of year	\$ 517,662
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**MIAMISBURG SECONDARY ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2015

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 479,560
Cash received from other operating revenues	53
Cash payments for contract services	(431,542)
Cash payments for supplies and materials	(22,488)
Net cash used for operating activities	<u>25,583</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>40,890</u>
Net cash provided by noncapital financing activities	<u>40,890</u>

Cash flows from investing activities:

Investment income	<u>821</u>
Net cash provided by investing activities	<u>821</u>

Net change in cash and cash equivalents	67,294
Cash and Cash Equivalents at beginning of year	<u>439,527</u>
Cash and Cash Equivalents at end of year	<u><u>506,821</u></u>

Reconciliation of operating income to net cash used for operating activities:

Operating income	21,199
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	6,230
Change in assets and liabilities:	
Decrease in accounts payable	(81)
Decrease in intergovernmental payable	<u>(1,765)</u>
Net cash used for operating activities	<u>\$ 25,583</u>

See accompanying notes to the basic financial statements

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MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

1. DESCRIPTION OF THE REPORTING ENTITY

Miamisburg Secondary Academy Community School (the "School") is a non-profit corporation established pursuant to Ohio Revised Code chapters 1702 and 3314 to address the growing need for a comprehensive educational program delivered to students in the 7-12 population primarily through distance learning technologies and computer based classroom curriculum. The comprehensive educational program will address special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The School qualifies as an 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 the School's tax-exempt status.

The School was approved for operations under contract with the Miamisburg City School District (the Sponsor) for a period of five years commencing April 28, 2005 and renewed on May 20, 2010 for an additional five year period through June 30, 2015. The School accepted students beginning August 23, 2005. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or termination of the contract prior to its expiration.

The School operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has developed a cooperative agreement with the Miamisburg City School District. See Note 15 for further detail on the service agreement.

The Board of Directors has entered into a one year service contract with Tri-River Educational Computer Association (TRECA) to provide instructional, administrative, and technical services required for the operation of the School (See Note 8). The Board of Directors has entered into a two year service contract with Miamisburg City School District to provide planning, instructional, administrative, and technical services required for the operation of the School (See Note 10).

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is presented in Note 14 to the basic financial statements.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

The School'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. The School uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

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 statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the School finances and meets its cash flow needs.

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 (except Ohio Revised Code Section 5705.391 which requires a 5 year projection), unless specifically provided in the School's contract with its Sponsor or otherwise adopted by the Board of Directors. The contract also states that the School will follow the operating procedures recommended by the Auditor of State, including those related to regular presentation, review, discussion, and approval or rejection of the budget and reports of current and encumbered expenses.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Investments

All monies received by the School are accounted for by the School's treasurer. All cash received is maintained in accounts in the School's name. Monies for the School are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of five hundred dollars.

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.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program. The amount of these grants is directly related to the number of students enrolled in the School. 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. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2015 totaled \$531,005.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily the State Foundation program, the State Special Education program and specific charges to the students or users of the School. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

At June 30, 2015, the carrying amount of the School's deposits was \$506,821 and the bank balance was \$506,821. The \$250,000 of bank balance was covered by Federal Depository Insurance Corporation (FDIC) with the remaining \$256,821 being uninsured under the FDIC program.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

3. DEPOSITS AND INVESTMENTS (continued)

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

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

4. RECEIVABLES

Receivables at June 30, 2015, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Intergovernmental</u>	<u>Amount</u>
Title VI-B Grant	\$619
Title I Grant	11,681
Total	<u>\$12,300</u>

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015:

	<u>Balance 6/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/15</u>
Capital Assets Being Depreciated Furniture and Equipment	\$163,139	\$0	(\$8,478)	\$154,661
Less Accumulated Depreciation Furniture and Equipment	(150,156)	(6,230)	7,532	(148,854)
Capital Assets, Net	<u>\$12,983</u>	<u>(\$6,230)</u>	<u>(\$946)</u>	<u>\$5,807</u>

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

6. DEBT

The School has no debt outstanding at June 30, 2015.

7. RISK MANAGEMENT

The School 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 fiscal year ended June 30, 2015, the School was insured for commercial inland marine, general liability, and property as part of the Miamisburg City School District's policy. During fiscal year 2015, the School District contracted with Netherlands Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$165,648,785 for property with a \$5,000 deductible. The Indiana Insurance Company also covers auto insurance for actual cash value with a \$500 deductible. General liability insurance is under The Indiana Insurance Company. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit.

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

8. CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The School entered into a one year contract on August 13, 2014 for fiscal year 2015 with Tri-Rivers Educational Computer Association (TRECA). Under the contract, the following terms were agreed upon.

- TRECA shall provide the School with instructional, supervisory/administrative; and technical services sufficient to effectively implement the School's educational plan and the School's assessment and accountability plan.
- All personnel providing services to the School on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the School shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

8. CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION (continued)

• The School shall pay TRECA a base cost of \$3,000 per full-time high school student. However, the School has elected to not receive some services from TRECA included in the base cost per student. As a result, the School pays \$300 per full-time high school student. Part-time students may be enrolled on such terms as are agreed to by the parties.

In fiscal years 2015, 2014, and 2013, the School paid TRECA \$9,778, \$9,608, and \$7,930, respectively.

To obtain TRECA's audited financial statements for the fiscal year ended June 30, 2015, please contact Scott Armstrong, Treasurer, at scott@treca.org.

9. RELATED PARTY TRANSACTIONS

Miamisburg City School District (Sponsor) provides planning, instructional, administrative, and technical services required for the operation of the School.

Total payments made to the Miamisburg City School District equaled \$371,510 out of which \$371,673 was for the use of facilities and personnel. See Note 10 for details.

10. CONTRACT WITH MIAMISBURG CITY SCHOOL DISTRICT

Miamisburg City School District shall provide the School with education and meeting space, instructional, supervisory/administrative, and technical services sufficient to effectively implement the School's educational plan and the School's assessment and accountability plan.

All personnel providing services to the School on behalf of Miamisburg City School District under the agreement shall be employees of Miamisburg City Schools and Miamisburg City Schools shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.

The technical services provided by Miamisburg City School District to the School shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operations.

In fiscal years 2015, 2014, and 2013, the School paid Miamisburg City School District \$371,673, \$400,881 and \$563,708, respectively.

To obtain Miamisburg City School District's audited financial statements for the period ending June 30, 2015; please contact Tammy Emrick, Treasurer, at temrick@miamisburg.k12.oh.us.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

11. CONTINGENCIES

A. Grants

The School 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2015.

B. Foundation

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

12. FISCAL AGENT

The School utilizes the services of Miamisburg City School District as its fiscal officer.

13. PURCHASED SERVICES

For the period July 1, 2014 through June 30, 2015, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$351,280
Property Services	55,600
Travel and Meetings	4,194
Utilities	9,183
Tuition	9,778
Total Purchased Services	<u>\$430,035</u>

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

14. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Total payments to MDECA totaled \$2,436 for services provided during the fiscal year. Financial information can be obtained from Dean Reinke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

15. SERVICE CONTRACT

The Miamisburg City School District and the Academy have entered into a service contract agreement. This agreement states that the Academy will contract for educational services from the Miamisburg City School District Board of Education and reimburse the Board of Education for these services.

The Miamisburg City School District agreed to provide the requested services and receive reimbursement from the Academy pursuant to Ohio Revised Code Section 3317.11 as follows:

1. Services for the Dropout Prevention and Credit Recovery Program
2. Fiscal Services
3. Secretary/Receptionist Services
4. School Director Services
5. Information Technology Services including but not limited to internet connectivity and software/hardware assistance and troubleshooting
6. Student services including E.M.I.S., Nursing, Speech, Guidance and Therapy
7. Classroom space and administrative services
8. Custodial Services

The Miamisburg Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Miamisburg City School District. Other services may be provided based on mutual consent of both the Academy and the Miamisburg City School District.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

16. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense. The implementation of these two standards has no impact on the beginning net position of the School.

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of the Miamisburg Secondary Academy, Montgomery County, Ohio (the School) financial performance provides an overall review of the School's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statement and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- For fiscal year 2014 assets exceeded liabilities by \$445,143.
- The School derived 99 percent of their revenues through federal and state programs.
- Purchased services accounted for 89 percent of the \$519,122 in operating expenses for fiscal year 2014 as the School outsources the personnel costs to Miamisburg City Schools.
- The School saw net position increase by \$39,680 during the year.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of three components: the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the School's net position changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the School's cash and how it changed during the most recent fiscal year.

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1 provides a summary of the School's net position for fiscal year 2014 compared to fiscal year 2013.

Table 1			
Net Position			
	2014	2013	Change
Assets			
Current assets	\$441,272	\$399,373	\$41,899
Capital assets, net	12,983	19,622	(6,639)
<i>Total assets</i>	<i>454,255</i>	<i>418,995</i>	<i>35,260</i>
Liabilities			
Current liabilities	9,112	13,532	(4,420)
Net Position			
Net investment in capital assets	12,983	19,622	(6,639)
Restricted	0	208	(208)
Unrestricted	432,160	385,633	46,527
<i>Total net position</i>	<i>\$445,143</i>	<i>\$405,463</i>	<i>\$39,680</i>

The School saw capital assets decrease as the School added no assets during the year to offset the current year depreciation. The current assets increased as the School increased the cash balance by \$48,035 during the year. The amount of outstanding invoices dropped in fiscal year 2014 which resulted in current liabilities dropping.

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the change in net position for the year ended 2013 compared to fiscal year 2014.

Table 2
Change in Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues			
Operating revenues:			
Foundation payments	\$491,831	\$613,934	(\$122,103)
Other operating revenues	156	313	(157)
Non-operating revenues:			
Federal and state grants	66,070	50,762	15,308
Interest	745	758	(13)
Total revenues	<u>558,802</u>	<u>665,767</u>	<u>(106,965)</u>
Expenses			
Operating expenses:			
Purchased services	463,526	613,297	(149,771)
Materials and supplies	48,957	18,340	30,617
Depreciation	6,639	6,775	(136)
Other expenses	0	310	(310)
Total Expenses	<u>519,122</u>	<u>638,722</u>	<u>(119,600)</u>
Change in Net Position	39,680	27,045	<u>\$12,635</u>
Beginning Net Position	<u>405,463</u>	<u>378,418</u>	
Ending Net Position	<u>\$445,143</u>	<u>\$405,463</u>	

The School saw revenues decrease from 2013 to 2014 as the School decreased the enrollment from 106 (funding level) students in 2013 to 79 during 2014 which impacted the foundation payments revenues. The grant revenues increased slightly as the classification of students under the title programs changed increasing the number in the programs slightly. The School did decrease the purchased services expense for the current year with the decreased enrollment. Since the School contracts with the Miamisburg City School District for staffing, the School can revise the service contract based on the number of students.

MIAMISBURG SECONDARY ACADEMY
Montgomery County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets

At the end of 2014, the School had \$12,983 (net of \$150,156 in accumulated depreciation) invested in furniture and equipment. Table 3 shows the fiscal year 2014 balances compared to fiscal year 2013:

Table 3
Capital Assets at June 30 (net)

	2014	2013	Change
Furniture and Equipment	\$163,139	\$164,138	(\$999)
Depreciation:			
Furniture and Equipment	(150,156)	(144,516)	(5,640)
Totals	\$12,983	\$19,622	(\$6,639)

For more information on the School's capital assets refer to Note 5 of the notes to the financial statements.

Debt

At June 30, 2014, the School had no outstanding debt.

Current Financial Issues

The School saw enrollment decrease after increasing annually through fiscal year 2013 (FTE 107). The School received funding in 2014 based on 79 FTE students. The School receives its finances mostly from state aid. Looking forward, per pupil aid for fiscal year 2015 as of June 2015 amounts to \$6,290 per student on only 79 FTE again.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact the Tammy Emrick, Treasurer, at Miamisburg Secondary Academy, 540 East Park Avenue, Miamisburg, Ohio 45342, or call by calling (937) 866-3381.

**MIAMISBURG SECONDARY ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET POSITION**

AS OF JUNE 30, 2014

Assets:

Current assets:

Cash and cash equivalents	\$ 439,527
Intergovernmental receivable	<u>1,745</u>
Total current assets	<u>441,272</u>

Noncurrent assets:

Depreciable Capital assets	<u>12,983</u>
Total noncurrent assets	<u>12,983</u>

Total Assets 454,255

Liabilities:

Current liabilities

Accounts payable	1,826
Intergovernmental payable	<u>7,286</u>

Total Liabilities 9,112

Net Position:

Net investment in capital assets	12,983
Unrestricted	<u>432,160</u>

Total Net Position \$ 445,143

See accompanying notes to the basic financial statements

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**MIAMISBURG SECONDARY ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Fiscal Year Ended June 30, 2014

Operating Revenues:	
Foundation payments	\$ 491,831
Other operating revenues	156
	<hr/>
Total operating revenues	491,987
	<hr/>
Operating Expenses:	
Purchased services	463,526
Materials and supplies	48,957
Depreciation	6,639
	<hr/>
Total operating expenses	519,122
	<hr/>
Operating Loss	(27,135)
	<hr/>
Non-Operating Revenues and Expenses:	
Federal and state grants	66,070
Interest	745
	<hr/>
Total non-operating revenues and expenses	66,815
	<hr/>
Change in net position	39,680
Net position at beginning of year	405,463
	<hr/>
Net position at end of year	<u>\$ 445,143</u>

See accompanying notes to the basic financial statements

**MIAMISBURG SECONDARY ACADEMY
MONTGOMERY COUNTY, OHIO
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2014

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 491,831
Cash received from other operating revenues	269
Cash payments for contract services	(465,358)
Cash payments for supplies and materials	(51,545)
Net cash used for operating activities	<u>(24,803)</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>72,093</u>
Net cash provided by noncapital financing activities	<u>72,093</u>

Cash flows from investing activities:

Investment income	<u>745</u>
Net cash provided by investing activities	<u>745</u>

Net change in cash and cash equivalents	48,035
Cash and Cash Equivalents at beginning of year	<u>391,492</u>
Cash and Cash Equivalents at end of year	<u><u>439,527</u></u>

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(27,135)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	6,639
Change in assets and liabilities:	
Decrease in accounts receivable	113
Decrease in accounts payable	(3,930)
Decrease in intergovernmental payable	(490)

Net cash used for operating activities	<u><u>\$ (24,803)</u></u>
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See accompanying notes to the basic financial statements

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MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

1. DESCRIPTION OF THE REPORTING ENTITY

Miamisburg Secondary Academy Community School (the "School") is a non-profit corporation established pursuant to Ohio Revised Code chapters 1702 and 3314 to address the growing need for a comprehensive educational program delivered to students in the 7-12 population primarily through distance learning technologies and computer based classroom curriculum. The comprehensive educational program will address special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The School qualifies as an 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 the School's tax-exempt status.

The School was approved for operations under contract with the Miamisburg City School District (the Sponsor) for a period of five years commencing April 28, 2005 and renewed on May 20, 2010 for an additional five year period through June 30, 2015. The School accepted students beginning August 23, 2005. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or termination of the contract prior to its expiration.

The School operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has developed a cooperative agreement with the Miamisburg City School District. See Note 15 for further detail on the service agreement.

The Board of Directors has entered into multiple one year service contracts with Tri-River Educational Computer Association (TRECA) to provide instructional, administrative, and technical services required for the operation of the School (See Note 8). The Board of Directors has entered into a two year service contract with Miamisburg City School District to provide planning, instructional, administrative, and technical services required for the operation of the School (See Note 10).

The School participates in one jointly governed organization. This organization is the Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is presented in Note 14 to the basic financial statements.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

The School'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. The School uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

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 statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the School finances and meets its cash flow needs.

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 (except Ohio Revised Code Section 5705.391 which requires a 5 year projection), unless specifically provided in the School's contract with its Sponsor or otherwise adopted by the Board of Directors. The contract also states that the School will follow the operating procedures recommended by the Auditor of State, including those related to regular presentation, review, discussion, and approval or rejection of the budget and reports of current and encumbered expenses.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Investments

All monies received by the School are accounted for by the School's treasurer. All cash received is maintained in accounts in the School's name. Monies for the School are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of five hundred dollars.

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.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program. The amount of these grants is directly related to the number of students enrolled in the School. 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. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2014 totaled \$557,901.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily the State Foundation program, the State Special Education program and specific charges to the students or users of the School. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

At June 30, 2014, the carrying amount of the School's deposits was \$439,527 and the bank balance was \$439,527. The \$250,000 of bank balance was covered by Federal Depository Insurance Corporation (FDIC) with the remaining \$189,527 being uninsured under the FDIC program.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

3. DEPOSITS AND INVESTMENTS (continued)

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

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

4. RECEIVABLES

Receivables at June 30, 2014, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Intergovernmental</u>	<u>Amount</u>
Title I Grant	\$1,745

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014:

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/14</u>
Capital Assets Being Depreciated Furniture and Equipment	\$164,138	\$0	(\$999)	\$163,139
Less Accumulated Depreciation Furniture and Equipment	(144,516)	(6,639)	999	(150,156)
Capital Assets, Net	<u>\$19,622</u>	<u>(\$6,639)</u>	<u>\$0</u>	<u>\$12,983</u>

6. DEBT

The School has no debt outstanding at June 30, 2014.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

7. RISK MANAGEMENT

The School 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 fiscal year ended June 30, 2014, the School was insured for commercial inland marine, general liability, and property as part of the Miamisburg City School District's policy. During fiscal year 2014, the School District contracted with Netherlands Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$165,648,785 for property with a \$2,500 deductible. The Netherlands Insurance Company also covers auto insurance for actual cash value with a \$500 deductible. General liability insurance is under The Netherlands Insurance Company. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit.

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

8. CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The School entered into a one year contract on July 14, 2013 for fiscal year 2014 with Tri-Rivers Educational Computer Association (TRECA) renewed in August 2014 through fiscal year 2015. Under the contract, the following terms were agreed upon.

- TRECA shall provide the School with instructional, supervisory/administrative; and technical services sufficient to effectively implement the School's educational plan and the School's assessment and accountability plan.
- All personnel providing services to the School on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the School shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

8. CONTRACT WITH TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION (continued)

• The School shall pay TRECA a base cost of \$3,000 per full-time high school student. However, the School has elected to not receive some services from TRECA included in the base cost per student. As a result, the School pays \$300 per full-time high school student. Part-time students may be enrolled on such terms as are agreed to by the parties.

In fiscal years 2014, 2013, and 2012, the School paid TRECA \$9,608, \$7,930, and \$9,637, respectively.

To obtain TRECA's audited financial statements for the fiscal year ended June 30, 2014, please contact Scott Armstrong, Treasurer, at scott@treca.org.

9. RELATED PARTY TRANSACTIONS

Miamisburg City School District (Sponsor), which provides planning, instructional, administrative, and technical services required for the operation of the School.

Total payments made to the Miamisburg City School District equaled \$400,881 was for the use of facilities and personnel. See Note 10 for details.

10. CONTRACT WITH MIAMISBURG CITY SCHOOL DISTRICT

Miamisburg City School District shall provide the School with education and meeting space, instructional, supervisory/administrative, and technical services sufficient to effectively implement the School's educational plan and the School's assessment and accountability plan.

All personnel providing services to the School on behalf of Miamisburg City School District under the agreement shall be employees of Miamisburg City Schools and Miamisburg City Schools shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.

The technical services provided by Miamisburg City School District to the School shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operations.

In fiscal years 2014, 2013, and 2012, the School paid Miamisburg City School District \$400,881 \$563,708, and \$529,578, respectively.

To obtain Miamisburg City School District's audited financial statements for the period ending June 30, 2014; please contact Tina Hageman, Treasurer/CFO, at thageman@miamisburg.k12.oh.us.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

11. CONTINGENCIES

A. Grants

The School 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2014.

12. FISCAL AGENT

The School utilizes the services of Miamisburg City School District as its fiscal officer.

13. PURCHASED SERVICES

For the period July 1, 2013 through June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$378,402
Property Services	58,413
Travel and Meetings	6,902
Utilities	11,643
Tuition	8,166
Total Purchased Services	<u>\$463,526</u>

14. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Total payments to MDECA totaled \$2,766 for services provided during the fiscal year. Financial information can be obtained from Dean Reinke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

MIAMISBURG SECONDARY ACADEMY

Montgomery County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

15. SERVICE CONTRACT

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The Miamisburg City School District agreed to provide the requested services and receive reimbursement from the Academy pursuant to Ohio Revised Code Section 3317.11 as follows:

1. Services for the Dropout Prevention and Credit Recovery Program
2. Fiscal Services
3. Secretary/Receptionist Services
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5. Information Technology Services including but not limited to internet connectivity and software/hardware assistance and troubleshooting
6. Student services including E.M.I.S., Nursing, Speech, Guidance and Therapy
7. Classroom space and administrative services
8. Custodial Services

The Miamisburg Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Miamisburg City School District. Other services may be provided based on mutual consent of both the Academy and the Miamisburg City School District.

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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

Miamisburg Secondary Academy
Montgomery County
540 East Park Avenue
Miamisburg, Ohio 45342

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 the Miamisburg Secondary Academy, Montgomery County, (the School) as of and for the years ended June 30, 2015, and 2014 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 11, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School'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 School'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 School'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 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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 11, 2016



Dave Yost • Auditor of State

MIAMISBURG SECONDARY ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 31, 2016**