



OHIO AUDITOR OF STATE
KEITH FABER



MASSILLON DIGITAL ACADEMY
STARK COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Massillon Digital Academy
Stark County
930 17th Street N.E.
Massillon, Ohio 44646

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the Massillon Digital Academy, Stark County, Ohio (the Academy), a component unit of Massillon City School District, Stark County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massillon Digital Academy, Stark County as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Academy closed on June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* 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 April 27, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

April 27, 2020

Massillon Digital Academy
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The discussion and analysis of Massillon Digital Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- Net position decreased \$366,772.
- Operating revenues accounted for \$273,028 in revenue or 92 percent of all revenues.
- The Academy closed operations effective June 30, 2019.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy as a financial whole, an entire operating entity.

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and liabilities and deferred inflows of resources are included on the statement of net position. The *Statement of Net Position* represents the basic statement of position for the Academy.

The *Statement of Net Position* and *Statement of Revenues, Expenses, and Changes in Net Position* provide information about the activities of the Academy, presenting an aggregate view of the Academy's finances. In case of the Academy, there is only one fund presented.

The *Statement of Cash Flows* reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements are presented.

Massillon Digital Academy
Stark County, Ohio
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2019

Reporting the Academy as a Whole

Recall the Statement of Net Position provides the perspective of the Academy as a whole.

Table 1 provides a summary of the Academy's net position for 2019 compared to 2018:

Table 1			
Net Position			
	2019	2018	Change
Assets			
Current Assets	\$ 270,806	\$ 585,025	\$(314,219)
Capital Assets	0	9,427	(9,427)
<i>Total Assets</i>	270,806	594,452	(323,646)
Liabilities			
Current Liabilities	102,174	59,048	43,126
Net Position			
Investment in Capital Assets	0	9,427	(9,427)
Restricted	0	19,253	(19,253)
Unrestricted	168,632	506,724	(338,092)
<i>Total Net Position</i>	\$ 168,632	\$ 535,404	\$(366,772)

Total assets decreased and the majority of this decrease is due to expenses exceeding revenues, resulting in a significant decrease in pooled cash. Capital assets decreased from annual depreciation expense. The balance of capital assets were reclassified to assets held for sale (See Note 4).

Current liabilities increased as a result of stretch pays being accrued due to the closure of the Academy at the end of the 2018-2019 school year.

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows

The view of the Academy as a whole looks at all financial transactions and asks, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Massillon Digital Academy
Stark County, Ohio
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2019

These two statements report the Academy's *net position* and changes 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 may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, required educational programs and other factors.

The Statement of Cash Flows provide information about how the Academy finances and meets the cash flow needs of its operations.

Financial Analysis

Table 2 shows the changes in net position for fiscal year 2019 compared to fiscal year 2018:

Table 2			
Changes in Net Position			
	2019	2018	Change
Operating Revenue			
Foundation Payments	\$ 266,722	\$ 309,109	\$ (42,387)
State Distributed Casino Revenues	6,306	2,659	3,647
Customer Sales and Services	0	5,430	(5,430)
<i>Total Operating Revenues</i>	273,028	317,198	(44,170)
Operating Expenses			
Purchased Services	644,600	524,163	120,437
Materials and Supplies	3,139	2,179	960
Depreciation Expense	6,690	10,960	(4,270)
Other	9,697	8,715	982
<i>Total Operating Expenses</i>	664,126	546,017	118,109
Non-Operating Revenues (Expenses)			
Federal Grants	23,419	38,824	(15,405)
Miscellaneous Revenue	70	136	(66)
Interest Income	837	3,253	(2,416)
Loss on Disposal of Capital Assets	0	(1,092)	1,092
<i>Total Non-Operating Revenues (Expenses)</i>	24,326	41,121	(16,795)
<i>Change In Net Position</i>	(366,772)	(187,698)	(179,074)
<i>Net Position Beginning of Year</i>	535,404	723,102	(187,698)
<i>Net Position End of Year</i>	\$ 168,632	\$ 535,404	\$ (366,772)

Massillon Digital Academy
Stark County, Ohio
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2019

The Statement of Revenues, Expenses, and Changes in Net Position show the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating revenues associated with those expenses. That is, it identifies the amount of operating expenses supported by State and other funding. The Academy's foundation and grant revenues decreased from 2019 to 2018 due to the revised way of counting FTEs and a decrease in enrollment.

The dependence upon state foundation revenues for operating activities is apparent. The majority of monies were used for purchased services, which increased due the repayment of prior years' FTE adjustments and the accrual of stretch pays due to the closing of the Academy. The Academy's operating revenue is 92 percent of total revenue. State sources are by far the primary support for the Academy.

Budget

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, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy. The Academy has developed a five-year projection that is reviewed periodically by the Board of Directors.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the Academy closed and the net book value of the Academy's remaining capital assets were reclassified to "Assets Held for Sale" on the Statement of Net Position. Table 3 shows fiscal year 2019 balances compared to 2018.

Table 3
Capital Assets (Net of Depreciation)

	2019	2018
Computer Equipment	\$ 0	\$ 2,108
Vehicles	0	7,319
Total Capital Assets	\$ 0	\$ 9,427

The balance of capital assets were reclassified to assets held for Sale. See Note 4 for more information about the capital assets of the Academy.

Debt Administration

At June 30, 2019, the Academy had no debt.

Massillon Digital Academy
Stark County, Ohio
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2019

Current Financial Related Activities

The Massillon Digital Academy was sponsored by the Massillon City School District and relied predominantly on State Foundation Funds. The Academy continued its commitment to provide online educational opportunities to students ensuring that the curriculum was aligned with the Common Core and other State requirements through the end of the 18-19 school year. The Massillon Digital Academy closed effective June 30, 2019.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Sandy Moeglin, Treasurer of Massillon Digital Academy, 930 17th Street N. E., Massillon, Ohio 44646.

Massillon Digital Academy
Stark County, Ohio
Statement of Net Position
June 30, 2019

Assets	
Current Assets:	
Equity in Pooled Cash	\$ 252,537
Intergovernmental Receivable	15,532
Assets Held for Sale	<u>2,737</u>
<i>Total Assets</i>	<u>270,806</u>
 Liabilities	
Current Liabilities:	
Accounts Payable	41,703
Intergovernmental Payable	<u>60,471</u>
<i>Total Liabilities</i>	<u>102,174</u>
 Net Position	
Unrestricted	<u><u>\$ 168,632</u></u>

See accompanying notes to the basic financial statements.

Massillon Digital Academy
Stark County, Ohio

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

Operating Revenues	
Foundation Payments	\$ 266,722
State Distributed Casino Revenues	<u>6,306</u>
<i>Total Operating Revenues</i>	<u>273,028</u>
Operating Expenses	
Purchased Services	644,600
Materials and Supplies	3,139
Depreciation	6,690
Other	<u>9,697</u>
<i>Total Operating Expenses</i>	<u>664,126</u>
<i>Operating Loss</i>	<u>(391,098)</u>
Non-Operating Revenues (Expenses)	
Miscellaneous Revenue	70
Interest Income	837
Federal Grants	<u>23,419</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>24,326</u>
<i>Change in Net Position</i>	(366,772)
<i>Net Position Beginning of Year</i>	<u>535,404</u>
<i>Net Position End of Year</i>	<u><u>\$ 168,632</u></u>

See accompanying notes to the basic financial statements.

Massillon Digital Academy
Stark County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Cash Flows From Operating Activities	
Cash Received from State Foundation	\$ 272,221
Cash Received from Casino Revenues	4,045
Cash Payments for Goods and Services	(606,831)
Cash Payments for Materials and Supplies	(3,173)
Cash Payments for Other Expenses	(9,697)
<i>Net Cash Used for Operating Activities</i>	<u>(343,435)</u>
Cash Flows From Non-Capital Financing Activities	
Grants Received	32,855
Other Non-Operating Revenues	70
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>32,925</u>
Cash Flows From Investing Activities	
Interest on Investments	<u>837</u>
<i>Net Increase (Decrease) in Cash</i>	(309,673)
<i>Cash, Beginning of Year</i>	<u>562,210</u>
<i>Cash, End of Year</i>	<u><u>\$ 252,537</u></u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities	
<i>Operating Loss</i>	\$ (391,098)
Adjustments:	
Depreciation	6,690
(Increase) Decrease Assets:	
Accounts Receivable	108
Intergovernmental Receivable	(2,261)
(Decrease) Increase in Liabilities:	
Accounts Payable	37,627
Intergovernmental Payable	<u>5,499</u>
<i>Total Adjustments</i>	<u>47,663</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (343,435)</u></u>

See accompanying notes to the basic financial statements.

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Massillon Digital Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3313 and 3314. The Academy's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K-12 population predominately through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Massillon City School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. Part of the contract contains a comprehensive plan requiring the Academy to assess achievement levels. The Academy will strive to obtain a student pass rate of 75 percent or higher minimum percent designated by the Department of Education on the Ohio achievement test. Furthermore, the Academy will endeavor to achieve an overall attendance rate of 93 percent or above and a graduation rate of 90 percent or above. The Academy has no paid employees.

The Academy operates under the direction of a six-member (five voting members) Board of Directors made up of:

- (a) Four individuals are community members.
- (b) One person who is a representative of Stark-Portage Area Computer Consortium (SPARCC).
- (c) The Academy's Treasurer/CEO as a non-voting ex officio member who is also the Sponsor's Treasurer/CEO and serves the Board of Directors in her official capacity as a representative of the Massillon City School District Board of Education and its interests.

State Statute requires the Academy to waive the requirement that the designated fiscal officer of the Massillon Digital Academy must be independent of the Sponsor, Massillon City School District.

Therefore, the Academy is a component unit of the Sponsor.

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

Enterprise Accounting

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

The Academy uses enterprise accounting to track and report on its financial activities. 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, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, with the exception of 5705.391. All other budgetary provisions are required to be followed, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

D. Cash and Investments

Cash held by the Academy is reflected as “Equity in Pooled 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.

E. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

In fiscal year 2019, the Academy participated in federal grant programs. Revenue received from these programs is recognized as non-operating revenue in the accompanying financial statements.

F. 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 acquisition values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets are depreciated. Capital leases are amortized over the life of the lease. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Fixtures	8 years
Vehicles	5 years
Computer Equipment	5 years

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

G. Accrued Liabilities

All payables and accrued liabilities are reported on the proprietary fund financial statements.

H. Net Position

Net position represents the difference between all assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets, consists of capital assets, net of accumulated depreciation. 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 an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

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

J. Estimates

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

K. 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 fiscal year 2019.

L. Assets Held for Sale

At June 30, 2019 the capital assets owned by the Academy have been reclassified from capital assets to assets held for sale, and are no longer being depreciated.

M. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2019, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations and GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Academy.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Academy.

NOTE 3 - DEPOSITS AND INVESTMENTS

Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies to be deposited or invested in the following securities:

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's Investment Pool (STAR Ohio);
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days and 270 days, respectively, in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

- 8) Under limited circumstances, corporate note interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the Academy, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At year-end, \$2,551 of the Academy's bank balance of \$252,551 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the Academy's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Academy to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the Academy will not be able to recover deposits or collateral securities that are in possession of an outside party.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the Academy and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2019, the Academy had no investments.

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

NOTE 4 - CAPITAL ASSETS

At the end of fiscal year 2019, the Academy closed and has been actively disposing the property. The net book values of the Academy's remaining capital assets were classified to "Assets Held for Sale" on Statement of Net Position.

A summary of changes in capital assets during the fiscal year ended June 30, 2019 follows:

	Balance 07/01/2018	Additions	Reclassified	Balance 06/30/2019
<i>Capital Assets, Being Depreciated:</i>				
Furniture and Fixtures	\$ 2,646	\$ 0	\$ (2,646)	\$ 0
Computer Equipment	37,187	0	(37,187)	0
Vehicles	27,442	0	(27,442)	0
	<u>67,275</u>	<u>0</u>	<u>(67,275)</u>	<u>0</u>
<i>Total Capital Assets, Being Depreciated</i>				
<i>Less: Accumulated Depreciation</i>				
Furniture and Fixtures	(2,646)	0	2,646	0
Computer Equipment	(35,079)	(1,202)	36,281	0
Vehicles	(20,123)	(5,488)	25,611	0
	<u>(57,848)</u>	<u>(6,690)</u>	<u>64,538</u>	<u>0</u>
<i>Total Accumulated Depreciation</i>				
<i>Total Capital Assets Being Depreciated, Net</i>	<u>\$ 9,427</u>	<u>\$ (6,690)</u>	<u>\$ (2,737)</u>	<u>\$ 0</u>

NOTE 5 - FISCAL OFFICER

The sponsorship agreement states the Treasurer of the Massillon City School District shall serve as the Fiscal Officer of the Academy.

The Treasurer of Massillon City School District shall perform the following functions while serving as the fiscal officer of the Academy:

- A. Maintain the financial records of the Academy in conformance with generally accepted accounting principles as required by the State Auditor;
- B. Comply with the operating policies recommended by the State Auditor, including those related to the presentation, review, discussion, and approval or rejection of a line item budget and regular reports of current and encumbered expense;
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

NOTE 6 - RELATED PARTY TRANSACTION

The Academy is a component unit of the Massillon City School District (the District). The District is the Academy's sponsor. The Academy and the District renewed a 5-year sponsorship agreement commencing on the July 1, 2016, whereby terms of the sponsorship were established. The Academy is required to pass a waiver stating that the Massillon City School District Treasurer/CFO will be the Fiscal Officer of the Academy. The Academy is required to pay \$150 per student per year to the District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. In fiscal year 2019, the fee per student was waived by the School District.

NOTE 7 - RISK MANAGEMENT

Insurance Coverage

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. For the year ended June 30, 2019, the Academy contracted with the Ohio Casualty Insurance Company through its agent Leonard Insurance Services of Canton, Ohio. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

NOTE 8 - PURCHASED SERVICES

For the year ended June 30, 2019, purchased service expenses were recognized for professional services rendered by various vendors as follows:

Massillon Board of Education	\$ 591,205
Glynlyon	16,250
Other	<u>37,145</u>
Total Purchased Services	<u><u>\$ 644,600</u></u>

For the year ended June 30, 2019, the Academy recognized \$591,205 in expenses for educational services and curriculum provided by the Massillon Board of Education.

NOTE 9 - CONTINGENCIES

A. Grants

The Academy 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 Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2019, if applicable, cannot be determined at this time.

Massillon Digital Academy
Stark County, Ohio
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

B. 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.

C. School District Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2019.

As of the date of this report, all ODE adjustments have been completed.

In addition, the Academy's contracts with their Sponsor require payment based on student FTEs. As discussed above, additional FTE adjustments for fiscal year 2019 are finalized. However, in fiscal year 2019, the School District waived the per student fee and therefore will not result in an additional receivable to, or liability of, the School District.

NOTE 10 – ACADEMY CLOSURE

On June 30, 2019, the Academy closed operations. The Academy is performing closing procedures as required by the Ohio Department of Education and will distribute its remaining assets in accordance with State law. The Academy has followed closeout procedures prescribed by the Ohio Department of Education (ODE), regarding official notices to ODE, retirement systems, students, staff, and community. Disposition of student records and property owned by the Academy have also been in accordance with ODE requirements.

NOTE 11 – SUBSEQUENT EVENTS

As of March 31, 2020 the Academy has a cash balance of \$214,857 with no known liabilities. All property owned by the Academy was purchased by the Massillon City School District. Once all costs and liabilities are known and all funds due to the Academy have been collected, the Academy will pay its final costs and any residual balance remaining will be remitted to ODE per Ohio Revised code Section 3314.074.

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EastRegion@ohioauditor.gov

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

Massillon Digital Academy
Stark County
930 17th Street N.E.
Massillon, Ohio 44646

To the Board of Education:

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 Massillon Digital Academy, Stark County, (the Academy) a component unit of the Massillon City School District, Stark County as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2020 wherein we noted the Academy closed on June 30, 2019.

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 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 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

April 27, 2020

Massillon Digital Academy
930 17th Street, NE
Massillon, Ohio 44646
(330) 830-3900

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Several instances where time between systems and off line time overlapped. The Academy used time logged in for reporting FTE's rather than the "time on activity".	Corrected	
2018-002	The Academy did not maintain any documentation of phone calls, doctor's excuses and note supporting student absences	Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



MASSILLON DIGITAL ACADEMY

STARK 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 12, 2020**