



OHIO AUDITOR OF STATE
KEITH FABER



**FAIRBORN DIGITAL ACADEMY
GREENE COUNTY
JUNE 30, 2023 AND 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Fairborn Digital Academy
Greene County
57 East Dayton Yellow Springs Road
Fairborn, Ohio 45324

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash basis financial statements of the Fairborn Digital Academy, Greene County, Ohio (the School), as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Fairborn Digital Academy, as of June 30, 2023 and 2022, and the change in cash basis financial position thereof and the for the fiscal years then ended in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Accounting Basis

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.



Keith Faber
Auditor of State
Columbus, Ohio

May 16, 2024

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**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED**

The discussion and analysis of Fairborn Digital Academy Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2023 within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

Key highlights for fiscal year 2023 are as follows:

In total, net position increased by \$681,415 from last year. Last year, net position decreased by \$122,090. The increase in net position is due to larger student enrollment which resulted in more state foundation funding. Federal and state grant funding was also higher. Expenditures were lower than last year. Purchased services for personnel costs were lower due to attrition and capital outlay costs were lower as less remodeling was required for the new tutoring facility. State foundation payments of \$1,539,156 make up 99.5% of the School's operating revenues and 71.1% of the total cash received during the fiscal year. Dependence on this revenue source is significant.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School's cash basis of accounting.

The School has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

The statement of Net Position – Cash Basis provides information about the cash activities of the whole School. The Statement of Revenues, Disbursements, and Change in Net Position – Cash Basis provides a greater level of detail.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as Accounts Receivables) and certain liabilities and their related disbursements (such as Accounts Payable) are not reported in these basic financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of cash basis accounting.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanations and details regarding the information reported in the statements.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED
(Continued)**

The School as a Whole

Table 1 provides a summary of the School's net position for fiscal year 2023 compared to fiscal year 2022:

Table 1 - Net Position

Assets:	<u>2023</u>	<u>2022</u>
Cash	\$940,086	\$258,671
Total assets	940,086	258,671
Net Position:		
Restricted	102,014	
Unrestricted	838,072	258,671
Total Net Position:	\$940,086	\$258,671

As mentioned previously, total net position increased by \$681,415.

Table 2 reflects the changes in net position for fiscal year 2023 compared to fiscal year 2022.

Table 2 – Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Operating Revenues:			
State Foundation	\$1,539,196	\$1,186,254	\$352,942
Miscellaneous	7,604	11,238	(3,634)
Total Operating Revenues	1,546,800	1,197,492	349,308
Non-Operating Revenues:			
Federal and State Grants	614,126	414,847	199,279
Gifts and Donations	1,770	0	1,770
Interest	3,300	17	3,283
Other Financing Sources	0	5	(5)
Total Non-Operating Revenues	619,196	414,869	204,327
Total Revenues	2,165,996	1,612,361	553,635
Operating Expenses:			
Purchased Services	1,383,657	1,511,541	(127,884)
Materials and Supplies	43,804	14,317	29,487
Capital Outlay	37,232	188,382	(151,150)
Other Expenses	19,888	20,211	(323)
Total Operating Expenses	1,484,581	1,734,451	(249,870)
.Change in Net Position	681,415	(122,090)	

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
UNAUDITED
(Continued)**

Net Position at Beginning of Year	258,671	380,761
Net Position at End of Year	\$940,086	\$258,671

State Foundation payments represent 71.1% of total revenues. These are unrestricted intergovernmental revenues, while almost all non-operating revenues represent the remainder.

The major operating disbursement is purchased services. Purchased services are shown in greater detail in Table 3.

Table 3 – Purchased Service Detail

	<u>2023</u>
Board of Directors	\$60,258
Instructional Contracted	432,816
Special Ed Contracted	99,965
Counseling Contracted	128,671
Support Staff Services	12,386
Principals Services	335,417
Treasurer Services	75,657
Building	143,134
Technology Services	95,353
Total	\$1,383,657

Current Issues

The challenge for all schools is to provide quality education with fewer monies available to spend. Online schools are able to capitalize upon this since fewer full time personnel are needed to educate students. Also, the School is able to provide individualized attention when needed. The funding for online schools changed in 2017 which has significantly affected our revenue stream. Rather than being funded per student we are now funded for the time they spend online. In fiscal year 2011, we changed from a K-12 school to a 9-12 school to help us use our resources in only a few age groups, instead of many.

The School is currently recovering from a decrease in enrollment that was seen in previous fiscal years due to COVID-19 and public schools also offering online education. As public schools have returned to in person education, the School's enrollment has increased but has not returned to pre-COVID levels. The School continues to recruit new students that will benefit from online education.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the School's finances and to reflect the School's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David Stevens, Treasurer, Fairborn Digital Academy, 57 E Dayton Yellow Springs Rd., Fairborn, Ohio 45324.

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**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2023**

Assets

Current Assets:

Cash	\$940,086
Total Assets	<u>940,086</u>

Net Position:

Restricted:	
Federal/State grants	102,014
Unrestricted	<u>838,072</u>
Total Net Position	<u>\$940,086</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**STATEMENT OF REVENUES, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Operating Revenues:	
State Foundation	\$1,539,196
Miscellaneous	7,604
	<hr/>
<i>Total Operating Revenues</i>	<i>1,546,800</i>
	<hr/>
Operating Expenses:	
Purchased Services	1,383,657
Materials and Supplies	43,804
Capital outlay	37,232
Other Expenses	19,888
	<hr/>
<i>Total Operating Expenses</i>	<i>1,484,581</i>
	<hr/>
<i>Operating Loss</i>	<i>62,219</i>
	<hr/>
Non-Operating Revenues	
Federal and State Grants	614,126
Gifts and Donations	1,770
Interest	3,300
	<hr/>
Total Non-Operating Revenues	619,196
	<hr/>
<i>Change in Net Position</i>	<i>681,415</i>
	<hr/>
<i>Total Net Position-beginning</i>	<i>258,671</i>
	<hr/>
<i>Total Net Position-ending</i>	<i>\$940,086</i>
	<hr/> <hr/>

The accompanying notes to the financial statements are an integral part of this statement

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

1. DESCRIPTION OF THE ENTITY

Fairborn Digital Academy Community School (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in the 9 – 12 population primarily through distance learning technologies. 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 others, 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 was approved for operation under contract with the Fairborn City School District as the sponsor for a period of five years commencing July 1, 2002. The School accepted students beginning September 3, 2002. In June 2021, the School entered into a new sponsor contract with Saint Aloysius Orphanage (The Sponsor) for a period of five years commencing July 1, 2021. 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 terminate the contract prior to its expiration.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School chooses to prepare its financial statements on the cash basis of accounting. The School recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

A. Basis of Presentation

Enterprise Accounting

The School 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.

B. Budgetary Process

Ohio Revised Code 3314.032 (C) requires each community school governing authority to adopt an annual budget by Oct. 31 each year. The budget must align with the current year shown in the school's five-year forecast. It serves as a tool that outlines both the revenues the school expects to receive and the expenditures it expects to make over the current school year. The annual budget and five-year forecast are important tools that help each school's governing authority monitor the financial stability of the school.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2023, the School invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

D. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues from this program are recognized as operating revenues in the accompanying financial statements.

E. Inventory and Prepaid Items

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

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Leases and SBITAs

For fiscal year 2023, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) was effective. This GASB pronouncement had no effect on beginning net position.

The School is the lessee (as defined by GASB 87) in leases related to a building and equipment under noncancelable leases. Lease payable is not reflected under the School's cash basis of accounting. Lease disbursements are recognized when they are paid.

The School has entered into noncancelable SBITA contracts (as defined by GASB 96) for several types of software including contracts related to financial systems, grading systems, and various other software. Subscription liabilities are not reflected under the School's cash basis of accounting. Subscription disbursements are recognized when they are paid.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$72,760.74 of the School's bank balance of \$322,760.74 was exposed to custodial credit risk because those deposits were all uninsured and collateralized with securities held by the pledging financial institution's trust departments or agent, but not in the School's name.

The School has no deposit policy for custodial risk.

The School's financial institution participates 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 requires 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.

B. Investments

The School's investments at June 30, 2023 were \$628,244.07 and was deposited with STAR Ohio. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. 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; and natural disasters. For fiscal year 2023, the School was insured for commercial inland marine, general liability, property, and educators legal liability.

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

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)**

5. CONTRACT WITH GREENE COUNTY ESC

The School entered into a one year contract for fiscal year 2023, with Greene County ESC. Under the contract, the following terms were agreed upon:

- All personnel providing services to the School on behalf of Greene County ESC under the agreement shall be employees of Greene County ESC and Greene County ESC 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 School shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to day operations of the School.

For fiscal year 2023, \$993,876 was paid to Greene County ESC by the School.

To obtain Greene County ESC's audited June 30, 2023 financial statements please contact Chad Hill, Treasurer, at chill@greeneesc.org.

6. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. 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, 2023.

B. State Foundation 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 and Workforce (DEW) 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, DEW may also perform a FTE review for the fiscal year 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. DEW performed such a review on the School for fiscal year 2023.

As of the date of this report, the impact of DEW adjustments for fiscal year 2023 resulted in a liability of \$74,012 to DEW.

In addition, the School's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2023 have been finalized and reconciliation of the contract payments to the Sponsor resulted in a receivable to the School.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)**

7. FISCAL AGENT

The School utilizes the services of Greene County ESC for employment of their Treasurer, David Stevens

8. TAX EXEMPT STATUS

The School was established as a nonprofit corporation pursuant to Ohio Rev. Code Chapters 3314 and 1702 on August 22, 2002. The School has not filed for tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The School has made no provision for any potential future tax liability which could result from not obtaining the Section 501(c)(3) tax exempt status.

9. PURCHASED SERVICES

For the period ended June 30, 2023, purchased service expenses were payments for services rendered by various vendors, as follows:

	<u>2023</u>
Board of Directors	\$60,258
Instructional Contracted	432,816
Special Ed Contracted	99,965
Counseling Contracted	128,671
Support Staff Services	12,386
Principals Services	335,417
Treasurer Services	75,657
Building	143,134
Technology Services	95,353
Total	<u>\$1,383,657</u>

10. SPONSOR

The School entered into a five-year Sponsorship contract with the Saint Aloysius Orphanage beginning on July 1, 2021, in return for three percent (3%) of all funds received by the School from the State of Ohio foundation payments. The Sponsor is to provide oversight, monitoring, and technical assistance for the School. Sponsor fee expenses at June 30, 2023 totaled \$46,744.

11. JOINTLY GOVERNED ORGANIZATION

Miami Valley Educational Computer Association (MVECA) - The School is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education and Workforce. 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 MVECA consists of two representatives from each of the participating members. The School paid MVECA \$17,170 for services provided during the year. Financial information can be obtained from MVECA located at 888 Dayton St., Yellow Springs, Ohio 45387.

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**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED**

The discussion and analysis of Fairborn Digital Academy Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2022 within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights

Key highlights for fiscal year 2022 are as follows:

In total, net position decreased by \$122,090 from last year. Although enrollment and state foundation payments saw their first increase since 2017, and federal funding was higher, this was not enough to overcome the increase seen in operating expenses. The decrease in net position in fiscal year 2022 was less than the decrease seen in fiscal year 2021 of \$431,432.

In July 2021, School operations were relocated to a new facility after the sponsor contract with Fairborn City Schools expired on June 30, 2021, and they were no longer able to rent a facility to the School. The School found a new building in the City of Fairborn to rent. Due to this change in location, expenditures increased for rental costs and utility charges, as well as new expenses for remodeling and updating the facility for educational use. These increases in expenditures, along with inflation, kept the School from seeing a positive cash flow for fiscal year 2022 even though total revenues saw an increase of \$556,825, or 52.8%, over fiscal year 2021.

The School's state foundation payments were \$1,186,254 or 73.6% of the total cash received during the fiscal year. Dependence on this revenue source is significant.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School's cash basis of accounting.

The School has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

The statement of Net Position – Cash Basis provides information about the cash activities of the whole School. The Statement of Revenues, Disbursements, and Change in Fund Net Position – Cash Basis provides a greater level of detail.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as Accounts Receivables) and certain liabilities and their related disbursements (such as Accounts Payable) are not reported in these basic financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of cash basis accounting.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanations and details regarding the information reported in the statements.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(Continued)**

The School as a Whole

Table 1 provides a summary of the School's net position for fiscal year 2022 compared to fiscal year 2021:

Table 1 - Net Position

Assets:	<u>2022</u>	<u>2021</u>
Cash	\$258,671	\$380,761
Total assets	258,671	380,761
Net Position:		
Unrestricted	258,671	380,761
Total Net Position:	\$258,671	\$380,761

As mentioned previously, total net position decreased by \$122,090.

Table 2 reflects the changes in net position for fiscal year 2022 compared to fiscal year 2021.

Table 2 – Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating Revenues:			
State Foundation	\$1,186,254	824,208	362,046
Miscellaneous	11,238	4,858	6,380
Total Operating Revenues	1,197,492	829,066	368,426
Non-Operating Revenues:			
Federal and State Grants	414,847	219,356	195,491
Other - Gifts and Donations	0	2,011	(2,011)
Interest	17	65	(48)
Other Financing Sources	5	5,038	(5,033)
Total Non-Operating Revenues	414,869	226,470	188,399
Total Revenues	\$1,612,361	\$1,055,536	556,825
Operating Expenses:			
Purchased Services	1,511,541	1,401,206	110,335
Materials and Supplies	14,317	57,513	(43,196)
Capital Outlay	188,382	20,975	167,407
Other Expenses	20,211	5,867	14,344
Total Operating Expenses	1,734,451	1,485,561	248,890

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(Continued)**

Non-Operating Expenses:

Other Financing Uses	0	1,407	(1,407)
Total Non-Operating Expenses	0	1,407	(1,407)
Total Expenses	1,734,451	1,486,968	247,483
Change in Net Position	(122,090)	(431,432)	
Net Position at Beginning of Year	380,761	812,193	
Net Position at End of Year	\$258,671	\$380,761	

State Foundation payments represent 73.6% of total revenues. These are unrestricted intergovernmental revenues, while almost all non-operating revenues represent the remainder.

The major operating disbursement is purchased services. Purchased services are shown in greater detail in Table 3.

Table 3 – Purchased Service Detail

	<u>2022</u>
Board of Directors	\$76,606
Instructional Contracted	403,557
Special Ed Contracted	215,129
Counseling Contracted	142,692
Support Staff Services	4,854
Principals Services	329,909
Treasurer Services	77,952
Building	139,468
Technology Services	121,374
Total	\$1,511,541

Current Issues

The challenge for all schools is to provide quality education with fewer monies available to spend. Online schools are able to capitalize upon this since fewer full time personnel are needed to educate students. Also, the School is able to provide individualized attention when needed. The funding for online schools changed in 2017 which has significantly affected our revenue stream. Rather than being funded per student we are now funded for the time they spend online. In fiscal year 2011, we changed from a K-12 school to a 9-12 school to help us use our resources in only a few age groups, instead of many.

The School is currently recovering from a decrease in enrollment that was seen in previous fiscal years due to COVID-19 and public schools also offering online education. As public schools have returned to in person education, the School's enrollment has increased but has not returned to pre-COVID levels. The School continues to recruit new students that will benefit from online education.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(Continued)**

Contacting the School's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the School's finances and to reflect the School's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David Stevens, Treasurer, Fairborn Digital Academy, 57 E Dayton Yellow Springs Rd., Fairborn, Ohio 45324.

FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2022

Assets

Current Assets:

Cash	\$258,671
Total Assets	<u>258,671</u>

Net Position:

Unrestricted	258,671
Total Net Position	<u>\$258,671</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**STATEMENT OF REVENUES, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Operating Revenues:	
State Foundation	\$1,186,254
Miscellaneous	11,238
	<hr/>
<i>Total Operating Revenues</i>	<i>1,197,492</i>
Operating Expenses:	
Purchased Services	1,511,541
Materials and Supplies	14,317
Capital outlay	188,382
Other Expenses	20,211
	<hr/>
<i>Total Operating Expenses</i>	<i>1,734,451</i>
<i>Operating Loss</i>	<i>(536,959)</i>
Non-Operating Revenues	
Federal and State Grants	414,847
Interest	17
Other Financing Sources	5
	<hr/>
Total Non-Operating Revenues	414,869
<i>Change in Net Position</i>	<i>(122,090)</i>
<i>Total Net Position-beginning</i>	<i>380,761</i>
	<hr/>
<i>Total Net Position-ending</i>	<i>\$258,671</i>
	<hr/> <hr/>

The accompanying notes to the financial statements are an integral part of this statement

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. DESCRIPTION OF THE ENTITY

Fairborn Digital Academy Community School (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in the 9– 12 population primarily through distance learning technologies. 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 others, 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 was approved for operation under contract with the Fairborn City School District as the sponsor for a period of five years commencing July 1, 2002. The School accepted students beginning September 3, 2002. In June 2021, the School entered into a new sponsor contract with Saint Aloysius Orphanage (The Sponsor) for a period of five years commencing July 1, 2021. 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 terminate the contract prior to its expiration.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School chooses to prepare its financial statements on the cash basis of accounting. The School recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

A. Basis of Presentation

Enterprise Accounting

The School 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.

B. Budgetary Process

Ohio Revised Code 3314.032 (C) requires each community school governing authority to adopt an annual budget by Oct. 31 each year. The budget must align with the current year shown in the school's five-year forecast. It serves as a tool that outlines both the revenues the school expects to receive and the expenditures it expects to make over the current school year. The annual budget and five-year forecast are important tools that help each school's governing authority monitor the financial stability of the school.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash

All monies received by the School are maintained in a demand deposit account.

D. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues from this program are recognized as operating revenues in the accompanying financial statements.

E. Inventory and Prepaid Items

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

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

H. Leases

For fiscal year 2022, GASB Statement No. 87, *Leases*, was effective. This GASB pronouncement had no effect on beginning net position.

The School is lessee (as defined by GASB 87) in leases related to a building and equipment under noncancelable leases. Lease payable is not reflected under the School's cash basis of accounting. Lease disbursements are recognized when they are paid.

3. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$17,782.88 of the School's bank balance of \$267,782.88 was exposed to custodial credit risk because those deposits were all uninsured and collateralized with securities held by the pledging financial institution's trust departments or agent, but not in the School's name.

The School has no deposit policy for custodial risk.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)**

3. DEPOSITS (Continued)

The School's financial institution participates 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 requires 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.

4. 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; and natural disasters. For fiscal year 2022, the School was insured for commercial inland marine, general liability, property, and educators legal liability.

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

5. CONTRACT WITH GREENE COUNTY ESC

The School entered into a one year contract for fiscal year 2022, with Greene County ESC. Under the contract, the following terms were agreed upon:

- All personnel providing services to the School on behalf of Greene County ESC under the agreement shall be employees of Greene County ESC and Greene County ESC 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 School shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the School.

For fiscal year 2022, \$1,077,978.44 was paid to Greene County ESC by the School.

To obtain Greene County ESC's audited June 30, 2022 financial statements please contact Chad Hill, Treasurer, at chill@greeneesc.org.

6. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. 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, 2022.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)**

6. CONTINGENCIES (Continued)

B. State Foundation 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 and Workforce (DEW) 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, DEW may also perform a FTE review for the fiscal year 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. DEW performed such a review on the School for fiscal year 2022.

As of the date of this report, the impact of DEW adjustments for fiscal year 2022 resulted in a liability of \$30,263 to DEW.

In addition, the School's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2022 have been finalized and reconciliation of the contract payments to the Sponsor resulted in a receivable to the School.

7. FISCAL AGENT

The School utilizes the services of Greene County ESC for employment of their Treasurer, David Stevens.

8. TAX EXEMPT STATUS

The School was established as a nonprofit corporation pursuant to Ohio Rev. Code Chapters 3314 and 1702 on August 22, 2002. The School has not filed for tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The School has made no provision for any potential future tax liability which could result from not obtaining the Section 501(c)(3) tax exempt status.

**FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)**

9. PURCHASED SERVICES

For the period ended June 30, 2022, purchased service expenses were payments for services rendered by various vendors, as follows:

	<u>2022</u>
Board of Directors	\$76,606
Instructional Contracted	403,557
Special Ed Contracted	215,129
Counseling Contracted	142,692
Support Staff Services	4,854
Principals Services	329,909
Treasurer Services	77,952
Building	139,468
Technology Services	121,374
Total	\$1,511,541

10. RELATED PARTY TRANSACTIONS

Fairborn City School District, the former sponsor for the School in fiscal year 2021, also provided facilities and transportation services required for the School. Total Payments made to Fairborn City School District in fiscal year 2022 equaled \$26,487 which included payments for fiscal year 2021 sponsor fees, utility fees, building insurance, and maintenance costs. To obtain Fairborn City School District's audited June 30, 2022 financial statements, please contact Kevin Philo, Treasurer at (937) 878-3961.

11. SPONSOR

The School entered into a five-year Sponsorship contract with the Saint Aloysius Orphanage beginning on July 1, 2021, in return for three percent (3%) of all funds received by the School from the State of Ohio foundation payments. The Sponsor is to provide oversight, monitoring, and technical assistance for the School. Sponsor fee expenses at June 30, 2022 totaled \$38,566.

12. JOINTLY GOVERNED ORGANIZATION

Miami Valley Educational Computer Association (MVECA) - The School is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education and Workforce. 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 MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$28,925 for services provided during the year. Financial information can be obtained from MVECA located at 888 Dayton St., Yellow Springs, Ohio 45387.

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

Fairborn Digital Academy
Greene County
57 East Dayton Yellow Springs Road
Fairborn, Ohio 45324

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash basis financial statements of the Fairborn Digital Academy, Greene County, (the School) as of and for the fiscal years ended June 30, 2023 and 2022, 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 16, 2024, wherein we noted the School uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 16, 2024

FAIRBORN DIGITAL ACADEMY COMMUNITY SCHOOL
GREENE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2023 AND 2022

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

FINDING NUMBER 2023-001

Noncompliance

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School's ability to evaluate and monitor the overall financial condition of the School. To help provide the users with more meaningful financial statements, the School should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

We did not receive a response from Officials to this finding.

2. OTHER – FINDING FOR RECOVERY

In addition, we identified the following other issue related to a Finding for Recovery. This issue did not impact our GAGAS report.

FINDING NUMBER 2023-002

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 3314.08 (H) states, in part, the Ohio Department of Education and Workforce shall adjust the amounts paid under section 3317.022 of the Revised Code to reflect any enrollment of students in community schools for less than the equivalent of a full school year.

Ohio Rev. Code § 3314.08 (K) (1) and (3) states, in part, if the department determines that a review of a community school's enrollment is necessary, such review shall be completed and written notice of the findings shall be provided to the governing authority of the community school and its sponsor within ninety days of the end of the community school's fiscal year. If the review results in a finding that the community school owes money to the state, the department shall deduct such amount from the school's future payments in accordance with guidelines issued by the superintendent of public instruction.

**FINDING NUMBER 2023-002
(Continued)**

Ohio Rev. Code § 3314.03(C) states a contract entered into under section 3314.02 of the Revised Code between a sponsor and the governing authority of a community school may provide for the community school governing authority to make payments to the sponsor, which is hereby authorized to receive such payments as set forth in the contract between the governing authority and the sponsor. The total amount of such payments for monitoring, oversight, and technical assistance of the school shall not exceed three per cent of the total amount of payments for operating expenses that the school receives from the state.

Article IV Section R of the Sponsorship Contract between Fairborn Digital Academy and Fairborn City School District states, in part, the School may annually pay the costs incurred by the Sponsor in connection with the Sponsor's oversight and monitoring of the School for an academic year. The total amount of such payments shall not exceed three percent of the total amount of payments for operating expenses that the School receives from the state.

During fiscal year 2022, the School paid 3%, or \$20,279 to the Sponsor, Fairborn City School District, for fiscal year 2021 sponsorship fees. The fiscal year 2021 enrollment adjustments made by the Ohio Department of Education and Workforce resulted in fiscal year 2021 foundation reductions in the amount of \$51,283. As a result of the reductions, the School overpaid the sponsor in the amount of \$1,538. Although the School performed an initial true-up calculation and identified an overpayment of \$699 which was refunded by the Sponsor during fiscal year 2022, the School was still owed \$839 for the overpaid sponsor fees related to the final FTE adjustment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against the Fairborn Digital Academy Treasurer for money due from the Fairborn City School District for \$839 and in favor of the Fairborn Digital Academy Community School.

On April 22, 2024, the School received repayment from Fairborn City School District for \$839, via check 100423. As a result, the finding is considered repaid under audit.

The School should establish policies and procedures to reconcile sponsorship payments with enrollment adjustments to verify appropriate payments to the Sponsor in accordance with the sponsorship agreement and applicable laws. Failure to do so could result in overpayments in future audits and findings for recovery.

Officials' Response:

We did not receive a response from Officials to this finding.



57 East Dayton-Yellow Springs Road,
 Fairborn, Ohio 45324
 (937) 879-0511
www.fairborndigital.us

Executive Director: Erik Tritsch

Principal: Jessica Biggers

Board of Directors: Thomas Baugh Amy Brooks Jane Doorley

Officers: Nancy Sturtz, President Paul Newman, Sr., Vice-president

Treasurer: David Stevens

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 JUNE 30, 2023 AND 2022**

Finding Number	Finding Summary	Status	Additional Information
2021-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – The School did not prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP)	Not Corrected	Repeated as Finding Number 2023-001
2021-002	Ohio Rev. Code § 3314.08 (C) and Ohio Rev. Code § 3314.03(H)(3) – Quality and reliability of student attendance documentation	Corrective Action Taken and Finding is Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



FAIRBORN DIGITAL ACADEMY

GREENE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/6/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov