

**AUGLAIZE COUNTY
EDUCATIONAL ACADEMY**
AUGLAIZE COUNTY, OHIO

REGULAR AUDIT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 & 2021**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Auglaize County Educational Academy
1045 Dearbaugh Avenue, Suite 3
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditor's Report* of the Auglaize County Educational Academy, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Auglaize County Educational Academy is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 09, 2023

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**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

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Independent Auditor's Report

Auglaize County Educational Academy
Auglaize County
1045 Dearbaugh Avenue, Suite 3
Wapakoneta, Ohio 45895

To the Members of the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash-basis financial statements of the Auglaize County Educational Academy, Auglaize County, Ohio, as of and for the fiscal years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the Auglaize County Educational Academy'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 Auglaize County Educational Academy, as of June 30, 2022 and June 30, 2021, and the changes in cash-basis financial position, thereof for the fiscal years then ended in accordance with the cash basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auglaize County Educational Academy 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 opinions.

Emphasis of Matters

Ohio Administrative Code § 117-2-03(B) requires the Auglaize County Educational Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis 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. As described in Note 10 to the financial statements for the fiscal year ending June 30, 2022 and Note 11 to the financial statements for the fiscal year ending June 30, 2021, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Auglaize County Educational Academy. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the 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 misstatements, 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 Auglaize County Educational Academy'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Auglaize County Educational Academy'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 Auglaize County Educational Academy'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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the Auglaize County Educational Academy's internal control over financial reporting and on 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 Auglaize County Educational Academy'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 Auglaize County Educational Academy's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 8, 2022

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2022

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 223,107
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Net position:

Restricted for:

State programs	\$ 3,995
Federal programs	350

Unrestricted	<u>218,762</u>
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Total net position	<u>\$ 223,107</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

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

Operating receipts:	
Charges for services	\$ 106,801
Foundation revenue	623,391
Miscellaneous receipts	9,335
Total operating receipts	739,527
 Operating disbursements:	
Purchased services	1,029,408
Materials and supplies	10,674
Capital outlay	853
Other disbursements	317
Total operating disbursements	1,041,252
Operating loss	(301,725)
 Non-operating receipts:	
Interest	253
Grants	233,605
Total non-operating receipts	233,858
Change in net position	(67,867)
Net position at beginning of year	290,974
Net position at end of year	\$ 223,107

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ENTITY

Auglaize County Educational Academy (AEA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. AEA's objective is to provide education opportunities through a virtual curriculum for students in sixth through twelfth grade. AEA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. AEA may acquire facilities as needed and contract for any services necessary for the operation of the school.

AEA was approved for operation under a contract with the Auglaize County Educational Service Center for a five-year period commencing on the first day of the 2003 academic year. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008 and expired on June 30, 2013. The contract was renewed for a five-year period commencing on July 1, 2013. The Buckeye Community Hope Foundation became the sponsor of AEA effective July 1, 2018. The sponsor is responsible for evaluating the performance of AEA and has the authority to deny renewal of the contract at its expiration. Auglaize County Educational Service Center is the fiscal agent of AEA with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for AEA.

AEA operates under the direction of a five-member Board of Directors. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2022, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

AEA's basic financial statements consist of a statement of net position- cash basis and a statement of receipts, disbursements, and change in net position - cash basis.

AEA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, and financial position. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Basis of Accounting

AEA's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in AEA's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Budgetary Basis

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by AEA's contract with its Sponsor. The contract between AEA and its Sponsor does prescribe an annual budget requirement.

D. Cash and Cash Equivalents

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position - cash basis. 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. During fiscal year 2022, AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

E. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

F. Operating Receipts and Disbursements

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

G. Leases

AEA is the lessee in various leases related to equipment under noncancelable leases. Lease payables are not reflected under AEA's cash basis of accounting. Lease disbursements are recognized when they are received/paid.

H. Long-Term Obligations

AEA's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Lease payments and financed purchase payments are reported when paid.

NOTE 3 - DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the AEA's bank balance of \$229,285 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject AEA to a successful claim by the FDIC.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

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

NOTE 4 - RISK MANAGEMENT

AEA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, AEA obtained insurance coverage through the Auglaize County Educational Service Center’s insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$15,000,000
Aggregate	17,000,000

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

NOTE 5 - FISCAL AGENT

The agreement with the Auglaize County Educational Service Center states the Treasurer of the Auglaize County Educational Service Center shall serve as the Treasurer of AEA. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of AEA:

- Maintain the financial records of AEA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- Comply with the policies and procedures regarding internal financial control of AEA; and,
- Comply with the requirements and procedures for financial audits by the Auditor of the State.

NOTE 6 - RELATED PARTY TRANSACTIONS

In fiscal year 2022, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$849,588.

AEA entered into a lease agreement with the Auglaize County Educational Service Center to lease space for offices and classroom instructional areas of approximately 3,500 square feet (Suite 4) and approximately 1,120 square feet (Suite 3). The lease term is for three years beginning August 1, 2020 and AEA agrees to pay \$28,000 annually and was amended in fiscal year 2022 to lower the payments to \$26,000 annually. During fiscal year 2022, AEA paid Auglaize County Education Service Center \$27,000.

The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries and Frige Benefits	\$ 816,043
Purchased Services	33,370
Other	<u>175</u>
Total	<u>\$ 849,588</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

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

NOTE 7 - CONTINGIENCES

A. Grants

AEA 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of AEA at June 30, 2022.

B. Litigation

There are currently no matters in litigation with the AEA as a defendant.

NOTE 8 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the AEA to prepare its annual financial report in accordance with generally accepted accounting principles. However, the AEA prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The AEA can be fined and various other administrative remedies may be taken against the AEA.

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2022, expenses for purchased services were as follows:

	<u>Amount</u>
Professional and Technical Services	\$ 987,546
Property services	27,000
Administrative/Meeting Expenses	1,394
Tuition	5,098
Other Purchases	<u>8,370</u>
Total	<u>\$ 1,029,408</u>

NOTE 10 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the AEA received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the AEA. The impact on the AEA's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

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

NOTE 11 - SUBSEQUENT EVENT

On July 1, 2022, Nicki Hagler became Treasurer of AEA.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2021

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 290,974
	<u>290,974</u>
 Net position:	
Restricted for:	
State programs	\$ 28,134
Federal programs	350
Unrestricted.	<u>262,490</u>
Total net position.	<u>\$ 290,974</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Operating receipts:	
Charges for services.	\$ 267,767
Foundation revenue	615,970
Miscellaneous receipts.	2,798
Total operating receipts	<u>886,535</u>
Operating disbursements:	
Purchased services.	964,388
Materials and supplies.	18,701
Capital outlay	3,851
Total operating disbursements.	<u>986,940</u>
Operating loss	<u>(100,405)</u>
Non-operating receipts:	
Interest.	583
Grants.	239,029
Total non-operating receipts.	<u>239,612</u>
Change in net position	139,207
Net position at beginning of year.	<u>151,767</u>
Net position at end of year	<u><u>\$ 290,974</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 - DESCRIPTION OF THE ENTITY

Auglaize County Educational Academy (AEA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. AEA's objective is to provide education opportunities through a virtual curriculum for students in sixth through twelfth grade. AEA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. AEA may acquire facilities as needed and contract for any services necessary for the operation of the school.

AEA was approved for operation under a contract with the Auglaize County Educational Service Center for a five-year period commencing on the first day of the 2003 academic year. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008 and expired on June 30, 2013. The contract was renewed for a five-year period commencing on July 1, 2013. The Buckeye Community Hope Foundation became the sponsor of AEA effective July 1, 2018. The sponsor is responsible for evaluating the performance of AEA and has the authority to deny renewal of the contract at its expiration. Auglaize County Educational Service Center is the fiscal agent of AEA with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for AEA.

AEA operates under the direction of a five-member Board of Directors. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2021, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

AEA's basic financial statements consist of a statement of net position- cash basis and a statement of receipts, disbursements, and change in net position - cash basis.

AEA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, and financial position. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Basis of Accounting

AEA's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in AEA's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

C. Budgetary Basis

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by AEA's contract with its Sponsor. The contract between AEA and its Sponsor does prescribe an annual budget requirement.

D. Cash and Cash Equivalents

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position - cash basis. 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. During fiscal year 2021, AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

E. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

F. Operating Receipts and Disbursements

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

NOTE 3 - DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the AEA's bank balance of \$290,974 was covered by the FDIC. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject AEA to a successful claim by the FDIC.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 4 - RISK MANAGEMENT

AEA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, AEA obtained insurance coverage through the Auglaize County Educational Service Center’s insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$15,000,000
Aggregate	17,000,000

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

NOTE 5 - FISCAL AGENT

The agreement with the Auglaize County Educational Service Center states the Treasurer of the Auglaize County Educational Service Center shall serve as the Treasurer of AEA. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of AEA:

- Maintain the financial records of AEA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- Comply with the policies and procedures regarding internal financial control of AEA; and,
- Comply with the requirements and procedures for financial audits by the Auditor of the State.

NOTE 6 - RELATED PARTY TRANSACTIONS

In fiscal year 2021, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$719,220. The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries	\$ 534,985
Fringe Benefits	180,022
Purchased Services	<u>4,213</u>
Total	<u>\$ 719,220</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 7 - CONTINGIENCES

A. Grants

AEA 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of AEA at June 30, 2021.

B. Litigation

There are currently no matters in litigation with the AEA as a defendant.

NOTE 8 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the AEA to prepare its annual financial report in accordance with generally accepted accounting principles. However, the AEA prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The AEA can be fined and various other administrative remedies may be taken against the AEA.

Ohio Rev. Code § 3314.08(H)(3), in part, states that no Internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. The Academy was unable to provide support to verify that 10 hours of learning opportunities were not exceeded.

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2021, expenses for purchased services were as follows:

	<u>Amount</u>
Professional and Technical Services	\$ 928,425
Property services	28,000
Administrative/Meeting Expenses	270
Tuition	5,322
Other Purchases	<u>2,371</u>
Total	<u>\$ 964,388</u>

NOTE 10 - OPERATING LEASES

AEA entered into a lease agreement with the Auglaize County Educational Service Center to lease space for offices and classroom instructional areas of approximately 3,500 square feet (Suite 4) and approximately 1,120 square feet (Suite 3). The lease term is for three years beginning August 1, 2020 and AEA agrees to pay \$28,000 annually. During fiscal year 2021, AEA paid Auglaize County Education Service Center \$28,000.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 11 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the AEA. In addition, the impact on the AEA's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Auglaize County Educational Academy
Auglaize County
1045 Dearbaugh Avenue, Suite 3
Wapakoneta, Ohio 45895

To the Members of the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash-basis financial statements of the Auglaize County Educational Academy, Auglaize County, Ohio, as of and for the fiscal years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, which collectively comprise the Auglaize County Educational Academy's basic financial statements and have issued our report thereon dated December 8, 2022, wherein we noted the Auglaize County Educational Academy uses a special purpose framework other than generally accepted accounting principles. Furthermore, as discussed in Note 10 to the financial statements for the fiscal year ending June 30, 2022 and Note 11 to the financial statements for the fiscal year ending June 30, 2021, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Auglaize County Educational Academy'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Auglaize County Educational Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Auglaize County Educational Academy'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 Auglaize County Educational Academy'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-002 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Auglaize County Educational Academy'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002.

Auglaize County Educational Academy's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Auglaize County Educational Academy's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Auglaize County Educational Academy's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Auglaize County Educational Academy'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 Auglaize County Educational Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

December 8, 2022

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022 AND JUNE 30, 2021**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2022-001

Noncompliance - Annual Financial Report

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 Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The Academy 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.

Failure to prepare proper GAAP financial statements may result in the Academy being fined or other administrative remedies.

The Academy should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a cash basis is a better way to allocate those funds.

Finding Number	2022-002
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Significant Deficiency / Noncompliance – Lack of Detailed Alternative Logs

Ohio Rev. Code § 3314.08(H)(3), in part, states that the Ohio Department of Education (ODE) shall determine each community school student's percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours.

The Academy uses Edgenuity to record its student's computer time hours. In addition, most students also have an alternative log which is separate from Edgenuity and records non-computer time activities such as work-study hours, testing, etc. Therefore, to determine whether the students received credit for more than 10 hours of learning opportunities in one day, the alternative log hours must be added to the Edgenuity log hours.

During the fiscal year ended June 30, 2021, the Academy obtained pay stubs for support, which detailed work study hours per pay period; however, the Academy could not provide documentation that shows a breakdown of how many hours were earned each day for the alternative log hours. Therefore, we were unable to determine whether students received credit for more than 10 hours of learning opportunities in one day.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022 AND JUNE 30, 2021**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2022-002 (Continued)

By not maintaining detailed support for alternative log hours, the Academy risks being funded for learning opportunities in excess of the 10 allowed hours per day.

The Academy should implement procedures to ensure that all learning opportunities are documented adequately. Both computer time and non-computer time documentation should be detailed enough to ensure that students are not receiving more than 10 hours of learning opportunities in one day. It should be noted that the Academy made changes to this process during the fiscal year ended June 30, 2022. The Academy now obtains a weekly timesheet signed by the employer that details the number of work study hours a student earns each day. This is separately tracked and added to the hours tracked within Edgenuity to ensure no more than 10 hours of learning opportunities are reported each day.

Client Response: As stated above, the procedure for documenting the breakdown of hours worked each day has been updated and corrected. However, due to the timing of the report, we were unable to make corrections for FY 21.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022 AND JUNE 30, 2021**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2020-001	2005	<u>Failure to File GAAP - Noncompliance</u> - Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). The Academy prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP.	Not Corrected	Finding repeated as 2022-001 as the Academy did not prepare its annual financial report in accordance with GAAP.
2020-002	2016	<u>Lack of Detailed Alternative Logs – Noncompliance and Material Weakness</u> – The Academy uses Edgenuity to record its’ student’s computer time hours. In addition, most students also have an alternative log which is separate from Edgenuity and records non-computer time activities such as work-study hours, testing, etc. Therefore, to determine whether the students received credit for more than 10 hours of learning opportunities in one day, the alternative log hours must be added to the Edgenuity log hours. The alternative logs noted that in both fiscal years, there were instances where a student received credit for more than 24 hours of learning opportunities in one day on his or her alternative log. The Academy adjusts students’ alternative logs as a lump sum on a quarterly basis; however, the Academy could not provide detailed documentation that shows a breakdown of how many hours were earned each day for the alternative log hours. Therefore, we were unable to determine whether students received credit for more than 10 hours of learning opportunities in one day.	Partially Corrected	Finding repeated at 2022-002 as detailed alternative log information was not maintained for the fiscal year ended June 30, 2021. This issue was corrected for the fiscal year ended June 30, 2022 as the Academy updated its process.

OHIO AUDITOR OF STATE KEITH FABER



AUGLAIZE COUNTY EDUCATIONAL ACADEMY

AUGLAIZE 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 2/21/2023

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