



**Auditor of State
Betty Montgomery**

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ohio Connections Academy
Franklin County
500 West Wilson Bridge Road
Suite 130
Worthington, Ohio 43085

To the Board of Directors:

We have audited the accompanying basic financial statements of the Ohio Connections Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Connections Academy, Franklin County, Ohio, as of June 30, 2004, and the changes in financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2005, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 21, 2005

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
UNAUDITED**

The discussion and analysis of the financial performance of the Ohio Connections Academy, provides an overview of the Academy's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the financial position of the Ohio Connections Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the basic statement of position for the Academy. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. In the case of the Academy, there is only one fund presented. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

REPORTING THE ACADEMY AS A WHOLE

The view of the Academy as a whole looks at all financial transactions and asks, "How did we do financially during 2004?" The statement of net assets and the statement of revenues, expenses, and change in net assets answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and change in those asset. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

FINANCIAL ANALYSIS

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from government-wide financial statements is included in the discussion and analysis.

The following tables represent the Academy's condensed financial information derived from the statement of net assets and the statement of revenues, expenses, and changes in net assets.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
UNAUDITED**

Table 1 provides a summary of the Academy's net assets for fiscal year 2004:

Table 1	
Net Assets	
	<u>2004</u>
Assets:	
Current Assets	\$ 253,181
Liabilities:	
Current Liabilities	<u>\$ 127,995</u>
Net Assets :	
Unrestricted	<u>\$ 125,186</u>

Table 2 shows the changes in net assets for fiscal year 2004:

Table 2	
Change in Net Assets	
	<u>2004</u>
Operating Revenues:	
Foundation Payments	\$679,647
Special Education	<u>125,210</u>
Total Operating Revenue	804,857
Operating Expenses:	
Purchased Services	<u>970,769</u>
Operating Loss	(165,912)
Non-Operating Revenues:	
Federal Subsidies	234,841
State Subsidies	56,100
Interest Earnings	<u>157</u>
Total Non-Operating Revenues	291,098
Increase in Net Assets	<u>\$ 125,186</u>

This is the initial year of operation for the Academy; therefore, fiscal year 2003 financial information is not available for inclusion in the discussion and analysis and no comparison between current and prior year can be analyzed. Additionally, the Academy operates as a one business-type enterprise fund; therefore, analysis of balances and transactions of individual funds is not included in the discussion and analysis. Results of fiscal year 2004 operations indicate an increase in net assets of \$125,186 and corresponding ending net assets of \$125,186.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
UNAUDITED**

BUDGET

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy. The Academy has developed a five-year projection that is reviewed periodically by the Board of Directors. Fiscal year 2004 revenues and expenses varied significantly from corresponding projections included on the five-year projection. The main cause of these variations was that the community school did not begin operations until August 7, 2003, and so enrollment was below initial expectations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Academy has no capital assets and has not issued any debt.

OTHER INFORMATION

Management is currently unaware of any known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 86,036
Intergovernmental Receivable	167,145
Total Current Assets	<u>253,181</u>

Liabilities:

Current Liabilities:

Contracts Payable	107,715
Payable to State Pension System	5,360
Intergovernmental Payable	14,920
Total Current Liabilities	<u>127,995</u>

Net Assets:

Unrestricted	<u>\$ 125,186</u>
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See the Accompanying Notes to the Basic Financial Statements.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Operating Revenues:</u>	
Foundation Payments	\$ 679,647
Special Education	<u>125,210</u>
Total Operating Revenues	804,857
<u>Operating Expenses:</u>	
Purchased Services	<u>970,769</u>
<i>Operating Loss</i>	(165,912)
<u>Non-Operating Revenues:</u>	
Federal Grants	234,841
State Grants	56,100
Interest Earnings	<u>157</u>
Total Non-Operating Revenues	<u>291,098</u>
<i>Increase in Net Assets</i>	125,186
<i>Net Assets Beginning of Year</i>	-
<i>Net Assets End of Year</i>	<u><u>\$ 125,186</u></u>

See the Accompanying Notes to the Basic Financial Statements.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received for School Foundation Payments	\$ 815,883
Cash Payments to Suppliers for Goods and Services	(857,695)
	(41,812)
<i>Net Cash Used for Operating Activities</i>	(41,812)

Cash Flows from Noncapital Financing Activities:

Federal Subsidies	71,591
State Subsidies	56,100
	127,691
<i>Net Cash Provided by Noncapital Financing Activities</i>	127,691

Cash Flows from Investing Activities:

Interest on Investments	157
	157
<i>Net Cash Provided by Investing Activities</i>	157

Net Increase in Cash and Cash Equivalents

86,036

Cash and Cash Equivalents at Beginning of Year

-

Cash and Cash Equivalents at End of Year

\$ 86,036

**Reconciliation of Operating Income to Net Cash
Used for Operating Activities:**

Operating Loss	(165,912)
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**Adjustments to Reconcile Operating Loss to Net
Cash Used for Operating Activities:**

Changes in Assets and Liabilities:	
Accounts Receivable	(3,895)
Accounts Payable	107,715
Payable to State Retirement System	5,360
Intergovernmental Payable	14,920
Total Adjustments	124,100

<i>Net Cash Used by Operating Activities</i>	\$ (41,812)
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See the Accompanying Notes to the Basic Financial Statements.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Ohio Connections Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The mission of Ohio Connections Academy is to leverage technology on behalf of students who need a more personalized approach to education to maximize their potential and meet the highest performance standards. This mission is accomplished through a uniquely individualized learning program that combines the best in virtual education with very real connections among students, family, teachers, and the community. Every Ohio Connections Academy student has a Personalized Learning Plan and an entire team of adults (including a parent or other learning coach and an Ohio-certified teacher) committed to the student's successful fulfillment of that plan. Ohio Connections Academy is a high-quality, high-tech, high-touch virtual "school without walls" that brings out the best in every student through Personalized Performance Learning.

The Academy was approved for operation under a contract with the Toledo Charter School Council (now known as The Ohio Council of Community Schools, the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of an eight-member Board of Directors (the Board). The Board of Directors may not be fewer than five nor more than eleven members. At least three Directors will be as follows:

- (a) At least one Director shall be the parent of one or more students enrolled in the Academy,
- (b) At least one Director shall be a generally recognized community leader in the area served by the Academy, and
- (c) At least one Director shall be an educator or have experience in education.

Additionally, the Academy entered into a five-year contract on August 7, 2003, with Connections Academy, Inc. for curriculum, school management services, instruction, technology and other services (See Note 8).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ohio Connections Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

Enterprise Accounting

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

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Enterprise Accounting (Continued)

The Academy uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or changes in net assets is appropriate for public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

C. Budgetary Process

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

D. Cash and Cash Equivalents

Cash held by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. 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 2004, the Academy had no investments.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Foundation payments are recognized as operating revenues in the accounting period in which they are earned and become measurable. The Academy also participates in the State of Ohio Community School Grant Program and the Federal Charter School Grant Program through the Ohio Department of Education. Under these programs, the Academy was awarded \$203,000 in federal monies and \$50,000 in state monies to offset start-up costs of the Academy. Other grants awarded and received in 2004 totaled \$127,691.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy did not have any restricted net assets at fiscal year end.

G. Operating Revenues and Expenses

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

H. Estimates

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

NOTE 3 – DEPOSITS

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the Academy's deposits was \$86,036 and the bank balance was \$109,740. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$9,740 was uninsured and uncollateralized. Noncompliance with federal requirements could potentially subject the Academy to a successful claim by FDIC.

NOTE 4- RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental receivables in the amount of \$167,145. All intergovernmental receivables are considered collectible in full and within one year.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 5 – RISK MANAGEMENT

Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. For fiscal year 2004, the School contracted with Connections Academy, Inc. to provide insurance in the following amounts through being included as an additional insured on their policy with Aon Risk Services for the following coverage:

Commercial general liability: \$6,000,000 general aggregate with a \$1,000,000 single occurrence limit along with \$21,000,000 in excess liability coverage for both aggregate and single occurrence.

NOTE 6 – FISCAL AGENT AND PAYMENTS TO SPONSOR

The sponsorship agreement requires that the Academy shall have a designated fiscal officer who shall meet all the requirements as set forth by law including:

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

The Academy shall pay to the Sponsor three percent (3%) of all base per pupil cost payments received from the state in consideration for the time, organization, oversight, fees and costs of the Sponsor in overseeing the Academy.

NOTE 7 – STATE SCHOOL FUNDING DECISION

On December 11, 2002 the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 8 – MANAGEMENT CONSULTING CONTRACT

The Academy entered into a five-year contract on August 7, 2003, with Connections Academy, Inc. for curriculum, instruction, technology and other school management services. Under the contract, the following terms were agreed upon:

Connections Academy Inc. (Connections) will provide direct materials/services or procurement and payment services for the following:

1. Instructional materials as approved by the Board and the Sponsor.
2. Various educational protocols and assessments.
3. Administrative personnel, including health and other benefits, as approved by the Board and the Sponsor where required.
4. Teaching staff, including health and other benefits, as approved by the Board.
5. Educational support services for participating families.
6. Training and other professional development as approved by the Board.
7. Hardware and software as approved by the Board.
8. Technical support for any hardware and software provided under the contract.
9. Maintenance of student records.
10. Services to special needs students as required by law.
11. Administrative services including expenditures for a facility and capital, both of which require Board approval.
12. Financial, treasury and other reporting as required by law.
13. Student recruiting and community education.
14. General school management.

For the services listed above, the Academy is required to reimburse and pay a fee to Connections Academy, Inc. The fee is equal to 15% of all funds received by the Academy. The total expense paid under this contract for fiscal year 2004 totaled \$917,812; of this amount \$106,643 represents a contract payable at June 30, 2004. The following is a breakdown of these expenses as per the contract:

- a) \$560,024 for the materials or services specified in items (1), (2), (5), (6), (7), and (8) above;
- b) \$68,599 as specified in item (10) above;
- c) \$136,906 as specified in items (3), (4), (11), (12) and (13) above; and
- d) \$152,284 as specified in item (14) above.

NOTE 9 – 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2004.

**OHIO CONNECTIONS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 9 – CONTINGENCIES (Continued)

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the state constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other courts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public education system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any on the Academy is not presently determinable.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. According to the review of fiscal year 2004, the Academy was overpaid \$14,920 which will be deducted from foundation funding in fiscal year 2005.

NOTE 10 – PURCHASED SERVICES

For the period ended June 30, 2004, purchased services expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services		
Connections Academy, Inc.	\$890,539	
Legal Services	2,225	
Other	<u>50,732</u>	
Total Professional and Technical Services		943,496
Property Services		
Connections Academy, Inc.		11,595
Travel Mileage/Meeting Expense		
Connections Academy, Inc.		3,051
Communications		
Connections Academy		12,627
Total Purchased Services		<u>\$970,769</u>

NOTE 11 – TAX EXEMPT STATUS

Ohio Connections Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's nonprofit status. The School has not yet filed for tax exempt status under § 501(c)(3) of the Internal Revenue Code.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Ohio Connections Academy
Franklin County
500 West Wilson Bridge Road
Suite 130
Worthington, Ohio 43085

To the Board of Directors:

We have audited the basic financial statements of the Ohio Connections Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2004, and have issued our report thereon dated January 21, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Academy's management in a separate letter dated January 21, 2005.

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Ohio Connections Academy
Franklin County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the management and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 21, 2005



**Auditor of State
Betty Montgomery**

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OHIO CONNECTIONS ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2005**