



Mary Taylor, CPA
Auditor of State

**CENTER FOR STUDENT ACHIEVEMENT
JACKSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Center for Student Achievement
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Directors:

We have audited the accompanying basic financial statements of the Center for Student Achievement, Jackson County, Ohio (the Center), a component unit of Jackson City School District, Jackson County, Ohio, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

Ohio Administrative Code Section 117-2-03(B) requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash financial position of the Center for Student Achievement, Jackson County, as of June 30, 2006, and the changes in its modified cash financial position and its cash flows for the period 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 March 14, 2007 on our consideration of the Center'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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, consisting principally of inquiries of management regarding the methods of measuring and presenting 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 14, 2007

**Center for Student Achievement
Jackson County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

The discussion and analysis of the Center for Student Achievement's (the Center) financial performance provides an overall review of the Center's financial activity for the period ended June 30, 2006. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the Center's financial performance.

HIGHLIGHTS

Fiscal year 2006 was the Center's initial year of operation as a kindergarten through twelfth grade conversion community school. The Center was created on April 28, 2005, however, it did not begin providing services to students until August, 2005. As necessary, students were provided with a computer, scanner, networking hardware, and appropriate software to access a curriculum based on the state model and which used certified/licensed instructors. Enrollment varied during the year but averaged 39 students.

USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the Center's Modified Cash Financial Statements. The Center's financial statements are comprised of two components: 1) entity-wide financial statements, and 2) notes to the financial statements.

The *Statement of Net Assets – Modified Cash Basis* presents information on all of the Center's modified cash assets, presented as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the cash position of the Center is improving or deteriorating.

The *Statement of Receipts, Disbursements and Changes in Net Assets - Modified Cash Basis* presents information showing how the Center's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as cash is received or disbursed not when the underlying event giving rise to the change occurs.

The Center uses enterprise presentation for all of its activities.

Table 1 provides a summary of the Center's net assets as of June 30, 2006:

**Table 1
Net Assets - Modified Cash Basis**

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$72,092</u></u>
Net Assets	
Unrestricted	<u><u>\$72,092</u></u>

The Center had net assets of \$72,092 after its first full year of operation. The Center receives Foundation payments from the State based on the number of full-time equivalency students enrolled at the Center.

Center for Student Achievement
Jackson County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 reflects the changes in net assets – modified cash basis for the period ending June 30, 2006:

Table 2
Changes in Net Assets - Modified Cash Basis

Operating Revenues:	
Foundation	<u>\$224,393</u>
<i>Total Operating Revenues</i>	<u>224,393</u>
 Operating Expenses:	
Salaries and Wages	73,960
Fringe Benefits	3,388
Contractual Services	36,330
Materials and Supplies	<u>38,623</u>
<i>Total Operating Expenses</i>	<u>152,301</u>
Increase in Net Assets	72,092
Net Assets at Beginning of Year	<u>0</u>
Net Assets at End of Year	<u><u>\$72,092</u></u>

BUDGETING

The Center is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

DEBT

The Center did not incur any debt during the fiscal year ended June 30, 2006.

CURRENT ISSUES

The cutting edge nature of this type of instructional delivery makes for constant change during the early years of operation. The upgrade and maintenance of equipment and technical support are some of the challenges facing the Center.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ernie Strawser, Treasurer, at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.

Center for Student Achievement
Jackson County, Ohio
Statement of Net Assets - Modified Cash Basis
June 30, 2006

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$72,092</u></u>
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Net Assets

Unrestricted	<u><u>\$72,092</u></u>
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See accompanying notes to the basic financial statements

Center for Student Achievement
Jackson County, Ohio
Statement of Receipts, Disbursements, and Changes
in Net Assets - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006

Operating Revenues

Foundation \$224,393

Total Operating Revenues 224,393

Operating Expenses

Salaries and Wages 73,960

Fringe Benefits 3,388

Contractual Services 36,330

Materials and Supplies 38,623

Total Operating Expenses 152,301

Change in Net Assets 72,092

Net Assets at Beginning of Year 0

Net Assets at End of Year \$72,092

See accompanying notes to the basic financial statements

Center for Student Achievement
Jackson County, Ohio
Statement of Cash Flows - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$224,393
Cash Payments for Employee Services and Benefits	(77,348)
Cash Payments to Suppliers for Goods and Services	<u>(74,953)</u>

Net Increase in Cash and Cash Equivalents 72,092

Cash and Cash Equivalents at Beginning of Year 0

Cash and Cash Equivalents at End of Year \$72,092

Reconciliation of Change in Net Assets to Net

Cash Provided by Operating Activities:

Change in Net Assets \$72,092

See accompanying notes to the basic financial statements

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**Center for Student Achievement
Jackson County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 1 - Description of the Entity

The Center for Student Achievement (the Center) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Center's tax exempt status. The Center's mission is to serve K through 12 students who may be underperforming or not optimally integrated in their present educational setting, or who seek a more challenging experience than is available in their present educational setting, and who for these or other reasons are interested in pursuing an alternative schooling option. The students will include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Jackson City School District, sponsor school district, that desire a specific course not currently offered but is available through long distance learning.

The Center was created on April 28, 2005, by entering a three year contract with the Jackson City School District (the Sponsor). The Sponsor is responsible for evaluating the performance of Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor fulfilling the role of Treasurer for the Center.

The Center operates under the direction of a seven-member Board of Directors made up of elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the Center, these members can be Sponsor employees, and one or more parents and community civic leaders. The Sponsor appoints a majority of the Board and is able to impose its will on the Center. The Sponsor can suspend the Center's operations for any of the following reasons: 1.) The Center's failure to meet student performance requirements stated in its contract with the Sponsor, 2.) The Center's failure to meet generally accepted standards of fiscal management, 3.) The Center's violation of any provisions of the contract with the Sponsor or applicable State or Federal law, or 4.) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Center and the children it serves. During the fiscal year ended June 30, 2006, the Center paid the Tri-Rivers Educational Computer Association (TRECA) to provide planning, design, implementation, instructional, administrative, and technical services. The Center had part-time employees that provided intervention instruction to the students of the Center. This intervention was used in conjunction with the TRECA instructional program to assure that students were effectively completing their instructional assignments.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Center are presented on a modified cash basis of accounting. The modified cash 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 modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Center's accounting policies.

**Center for Student Achievement
Jackson County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

A. Basis of Presentation

The Center's basic financial statements consist of a statement of net assets; a statement of modified cash receipts, cash disbursements and changes in cash basis net assets; and a statement of cash flows.

The Center uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

The enterprise activity is accounted for using a flow of economic resources measurement focus. Except for modifications having substantial support, receipts are recorded in the Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the Center are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. Budgetary Process

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 Section 5705, unless specifically provided by the Center's contract with the Sponsor. The contract between the Center and its Sponsor prescribes the Center follow all budgetary provisions set forth in Ohio Revised Code Section 5705.

D. Cash and Cash Equivalents

Cash received by the Center is reflected as "cash and cash equivalents" on the statement of net assets. The Center had no investments during the fiscal year ended June 30, 2006.

E. Capital Assets

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

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 enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Center's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports no restricted net assets.

**Center for Student Achievement
Jackson County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

H. Operating Revenues and Expenses

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

Note 3 – Deposits

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

At June 30, 2006, the carrying amount of the Center's deposits was \$72,092 and the bank balance was \$72,092. All of the bank balance was covered by federal deposit insurance. There were no significant statutory requirements regarding the deposit and investment of funds by the nonprofit corporation.

Note 4 – Contract with TRECA

The Center entered into a one year contract on August 8, 2005, with Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract, the following terms were agreed upon:

- TRECA shall provide the Center with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Center's educational plan and the Center's assessment and accountability plan.
- All personnel providing services to the Center on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided to the Center by TRECA shall include access to, and the use of computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Center 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 Center.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- In exchange for the services and support (including hardware) provided by the TRECA, the Center shall pay to TRECA \$4,200 per full-time student enrolled in the Center per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

The Center paid TRECA \$18,556 for services rendered in fiscal year 2006. To obtain TRECA's audited June 30, 2006 financial statements, please contact Scott Armstrong, Treasurer, at scott@treca.org.

**Center for Student Achievement
Jackson County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 5 – Risk Management

The Center is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2006, the Center had liability insurance through the Jackson City School District's insurance policy.

Note 6 – Purchased Services

For the period July 1, 2005 through June 30, 2006, the Center had expenses of \$22,819 for professional and technical services.

Note 7 – Related Party Transactions

The seven members of the Center's Board of Directors are appointed by the Superintendent of Jackson City School District, the Sponsor, and includes the superintendent. The Center is reported as a component unit of the Sponsor.

Note 8 - Contingencies

A. Grants

The Center received financial assistance from the state in the form of grants. The disbursement of funds received under this program generally requires compliance with the terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2006.

B. Litigation

A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Center is not determinable at this time.

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2006 review was not completed prior to the compilation of the Center's financial statements.



Mary Taylor, CPA

Auditor of State

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

Center for Student Achievement
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Directors:

We have audited the basic financial statements of the Center for Student Achievement, Jackson County, Ohio (the Center), a component unit of Jackson City School District, Jackson County, Ohio, as of and for the year ended June 30, 2006, and have issued our report thereon dated March 14, 2007, wherein we noted the Center uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether Center's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2006-001. In a separate letter to the Center's management dated March 14, 2007, we reported other matters related to noncompliance we deemed immaterial.

Center for Student Achievement
Jackson County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 14, 2007

**CENTER FOR STUDENT ACHIEVEMENT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006**

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the Center to file its annual financial report pursuant to generally accepted accounting principles. However, the Center prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the Center take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response:

The Center for Student Achievement spent \$152,301 in fiscal year 2006. The undue financial burden associated with GAAP financial statements would only dilute already limited instructional resources.



Mary Taylor, CPA
Auditor of State

**CENTER FOR STUDENT ACHIEVEMENT
JACKSON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2007**