

OHIO CONNECTIONS ACADEMY

HAMILTON COUNTY

Basic Financial Statements

Years Ended June 30, 2009 and 2008

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Directors
Ohio Connection Academy
3015 Clifton Avenue
Cincinnati, Ohio 45209

We have reviewed the *Independent Auditors' Report* of the Ohio Connection Academy, Hamilton County, prepared by Foxx & Company, for the audit period July 1, 2008 through June 30, 2009. 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 Ohio Connection Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 30, 2010

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Hamilton County
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INDEPENDENT AUDITORS' REPORT

Ohio Connections Academy
Hamilton County
2727 Madison Road
Cincinnati, Ohio 45209

To the Board of Directors:

We have audited the accompanying basic financial statements of the Ohio Connections Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. These basic 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. The financial statements as of June 30, 2008, were audited by other auditors whose report dated November 16, 2009, expressed an unqualified opinion on those statements. Also, those statements included an explanatory paragraph that described the fact that the Academy's financial statements had an accumulated deficit of \$3,967 as of June 30, 2008.

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 opinion.

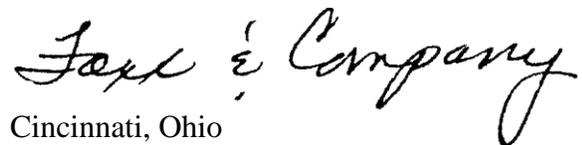
As discussed in Note 9, the Academy has entered into a contract with another entity to manage substantially all of the Academy's educational and operational activities. The Statement of Revenues, Expenses, and Changes in Net Assets includes \$9,715,403 million for these contracted services and other reimbursable costs. Our audit procedures were applied to transactions at the Academy level and did not include transactions at the contractor level, except for a review of the agreed-upon procedures report required by the Ohio Auditor of State Technical Bulletin 2004-009.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with auditing principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2010 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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* and should be considered in assessing the results of our audit.

Management 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 measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the procedures applied to the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Cincinnati, Ohio
May 3, 2010

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the fiscal years ended June 30, 2009 and 2008**

The discussion and analysis of the financial performance of the Ohio Connections Academy, Hamilton County, Ohio (the Academy), provides an overview of the Academy's financial activities for the fiscal years ended June 30, 2009 and 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- For fiscal year 2009 total assets were \$414,874.
- For fiscal year 2009 total liabilities were \$405,746.
- For fiscal year 2009 total net assets were \$9,128.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the financial position of the 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. 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 2009?" 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 assets. 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

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the fiscal years ended June 30, 2009 and 2008**

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.

Table 1 provides a summary of the Academy's net assets for fiscal years 2009, 2008 and 2007:

**Table 1
Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Current assets	\$ 403,435	\$ 337,727	\$ 781,792
Non-current assets	<u>11,439</u>	<u>14,791</u>	<u>16,086</u>
Total assets	<u>414,874</u>	<u>352,518</u>	<u>797,878</u>
Liabilities			
Current liabilities	<u>405,746</u>	<u>356,485</u>	<u>811,705</u>
Net Assets			
Invested in capital assets	11,439	14,791	16,086
Unrestricted	<u>(2,311)</u>	<u>(18,758)</u>	<u>(29,913)</u>
Total net assets	<u>\$ 9,128</u>	<u>\$ (3,967)</u>	<u>\$ (13,827)</u>

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the fiscal years ended June 30, 2009 and 2008**

Table 2 shows the changes in net assets for fiscal years 2009, 2008 and 2007:

**Table 2
Change in Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues			
Foundation payments	\$ 8,333,065	\$ 5,726,778	\$5,146,627
Special education	<u>1,096,079</u>	<u>847,757</u>	<u>818,316</u>
Total operating revenues	<u>9,429,144</u>	<u>6,574,535</u>	<u>5,964,943</u>
Operating expenses			
Purchased Services	10,294,212	7,500,464	6,530,215
Depreciation	<u>3,352</u>	<u>3,259</u>	<u>-</u>
Total operating expenses	<u>10,297,564</u>	<u>7,503,723</u>	<u>6,530,215</u>
Operating loss	(868,420)	(929,188)	(565,272)
Non-operating revenues			
Federal subsidies	766,708	646,193	505,895
State subsidies	6,890	12,490	5,000
Other revenues	90,278	240,000	155,123
Interest earnings	<u>17,639</u>	<u>40,365</u>	<u>41,273</u>
Total non-operating revenues	<u>\$ 881,515</u>	<u>\$ 939,048</u>	<u>\$ 707,292</u>
Increase in net assets	<u>\$ 13,095</u>	<u>\$ 9,860</u>	<u>\$ 142,020</u>

Net assets increased by \$13,095 in 2009. Operating revenues increased \$2,854,609 or 43 percent, due to an increase in Foundation payments caused by increased enrollment. Additionally, the Academy operates as a one business-type enterprise fund; therefore, analysis of balances and transactions of individual funds are not included in the discussion and analysis. Results of fiscal year 2009 operations indicate ending net assets of \$9,128.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
*for the fiscal years ended June 30, 2009 and 2008***

BUDGET

Pursuant to Ohio Revised Code Chapter 5705.391, the Academy prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. The Academy will from time to time adopt budget revisions as necessary.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Academy used Federal Implementation Grant funds to purchase furniture and fixtures and computers for its office. This represents the only capital assets owned by the Academy. Capital asset information is summarized in Note 4 to the basic financial statements. The Academy 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
HAMILTON COUNTY
STATEMENT OF NET ASSETS
as of June 30, 2009 and 2008**

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 388,566	\$ 237,727
Certificate of deposit	-	100,000
Intergovernmental receivable	7,455	-
Prepays	7,414	-
Total current assets	403,435	337,727
Non-current assets		
Fixed assets (Net of accumulated depreciation)	11,439	14,791
Total assets	414,874	352,518
Liabilities		
Current liabilities		
Contracts payable	396,626	316,476
Accounts payable	9,120	40,009
Total current liabilities	405,746	356,485
Total liabilities	405,746	356,485
Net assets:		
Invested in capital assets	11,439	14,791
Unrestricted	(2,311)	(18,758)
Total net assets	\$ 9,128	\$ (3,967)

The accompanying notes are an integral part of these financial statements.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Operating revenues		
Foundation payments	\$ 8,333,065	\$ 5,726,778
Special education	<u>1,096,079</u>	<u>847,757</u>
Total operating revenues	<u>9,429,144</u>	<u>6,574,535</u>
Operating expenses:		
Purchased services	10,294,212	7,500,464
Miscellaneous (depreciation expense)	<u>3,352</u>	<u>3,259</u>
Total operating expenses	<u>10,297,564</u>	<u>7,503,723</u>
Operating loss	(868,420)	(929,188)
Non-Operating Revenues:		
Federal Grants	766,708	646,193
State Grants	6,890	12,490
Other Revenue	90,278	240,000
Interest Earnings	<u>17,639</u>	<u>40,365</u>
Total non-operating revenues	<u>881,515</u>	<u>939,048</u>
Increase in net assets	13,095	9,860
Net assets beginning of year	<u>(3,967)</u>	<u>(13,827)</u>
Net assets end of year	<u>\$ 9,128</u>	<u>\$ (3,967)</u>

The accompanying notes are an integral part of these financial statements.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal years ended June 30, 2009 and 2008**

	2009	2008
Increase (Decrease) in cash and cash equivalents		
Cash flows from operating activities		
Cash received from State of Ohio - Foundation	\$ 9,429,144	\$ 6,574,535
Cash payments to suppliers for goods and services	(10,252,364)	(7,955,684)
Net cash used for operating activities	(823,220)	(1,381,149)
Cash flows from noncapital financing activities		
Cash received from federal grants	759,252	691,963
Cash received from state grants	6,890	252,490
Interest	17,639	40,364
Other	90,278	-
Net cash provided by noncapital financing activities	874,059	984,817
Cash flows from investing activities		
Purchase of equipment, net	-	(1,964)
Net cash used in investing activities	-	(1,964)
Net increase in cash and cash equivalents	50,839	(398,296)
Cash and cash equivalents at beginning of year	337,727	736,023
Cash and cash equivalents at end of year	\$ 388,566	\$ 337,727

The accompanying notes are an integral part of these financial statements.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal years ended June 30, 2009 and 2008
(Continued)**

	2009	2008
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (868,420)	\$ (929,188)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	3,352	3,259
Changes in assets and liabilities:		
Increase in prepaid rent	(7,414)	-
Increase in contracts payable	80,151	(490,376)
Decrease in accounts payable	(30,889)	35,156
Total adjustments	45,200	(451,961)
Net cash used for operating activities	\$ (823,220)	\$ (1,381,149)

The accompanying notes are an integral part of these financial statements.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

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 a six-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, which was extended via an amendment to June 30, 2016. (See Note 9).

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

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

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.

The Academy uses enterprise accounting to track and report on its financial activities. The Academy uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

C. Budgetary Process

Pursuant to Ohio Revised Code Chapter 5705.391, the Academy prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. The Academy will from time to time adopt budget revisions as necessary.

D. Cash and Investments

Cash held by the Academy is reflected as “Cash and Cash Equivalents” on the statement of net assets. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. Investments with an initial maturity of more than 3 months are reported as investments. During the year ended June 30, 2009, investments were limited to a repurchase agreement.

E. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Foundation and Special Education payments are recognized as operating revenues in the accompanying financial statements. Other grants awarded and received in fiscal year 2009 totaled \$773,598. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. When both restricted and unrestricted resources are available for use, it is the Academy’s policy to use restricted resources first, then unrestricted resources as they are needed.

F. Capital Assets

Capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. The Academy maintains a capitalization threshold of \$1,000 dollars. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, Fixtures, and Equipment	7 years
Computers	3 years

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

G. 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.

H. 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.

I. 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.

J. Reclassification

Certain 2008 amounts have been reclassified to conform with the 2009 financial statement presentation.

NOTE 3 – DEPOSITS

A. Deposits with Financial Institutions

The carrying amount of the Academy's deposits at June 30, 2009 was \$388,566, and its bank balance was \$458,486. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, \$208,486 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk is the risk that in the event of bank failure, the Academy's investments may not be returned. The Academy has not experienced any losses on their cash account balances and believes it is not exposed to significant credit risk on cash. In addition, state law does not require security for public deposits and investments to be maintained in the Academy's name.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

B. Fair value measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access. Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of financial instruments including cash, certificates of deposit, accounts receivable, contracts payable, and accounts payable, approximated fair value as of June 30, 2009 and 2008 because of the relatively short maturity of these instruments.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2009</u>
Capital Assets being depreciated:				
Furniture, fixtures, and equipment	\$ 23,462	\$ -	\$ -	\$ 23,462
Less accumulated depreciation:				
Fixture, fixtures, and equipment	<u>(8,671)</u>	<u>(3,352)</u>	<u>-</u>	<u>(12,023)</u>
Capital assets, net of accumulated depreciation	<u>\$ 14,791</u>	<u>\$ (3,352)</u>	<u>\$ -</u>	<u>\$ 11,439</u>

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

NOTE 5 - OPERATING LEASES

The Academy leases its office facilities through Connections Academy, LLC (the management firm) from Eastrich No. 167 Corporation under a lease agreement that was originally effective September 1, 2003. The lease was amended on May 13, 2004 to include additional square footage, and was also amended on November 29, 2006 to extend for eight additional months expiring on July 16, 2007. A third amendment was executed on June 30, 2007 extending the lease through July 16, 2010 with a base rent of \$4,184 per month. The monthly rent is based on the square footage of the office space. From July 17, 2007 through July 16, 2008 rent was \$4,184 per month. From July 17, 2008 through June 30, 2009 rent was \$4,323 per month. The total amount paid for rent at this location was \$56,880 and \$51,610 for fiscal years 2009 and 2008, respectively.

The Academy also leases office space through Connections Academy, LLC (the management firm) from A.G. Lipson, Limited Partnership under a three-year lease agreement. The lease was originally effective August 1, 2005. The lease was amended on July 17, 2008 extending the lease through August 31, 2011. The monthly rent is based on square footage with additional expenses for electricity, taxes, insurance and Common Area Maintenance all of which are based on square footage. From September 1, 2006 through June 30, 2007, the rent was \$2,860 per month. The monthly rent for this location from July 1, 2007 through June 30, 2008 was \$2,895 per month. From July 1, 2008 through June 30, 2009 the base rent was \$2,171 per month, plus electricity, taxes, insurance and Common Area Maintenance. The total amount paid for rent at this location was \$36,398 and \$34,575 for fiscal years 2009 and 2008, respectively.

Future minimum lease payments for the operating leases are as follows:

<u>Years Ending June 30,</u>	<u>Cincinnati</u>	<u>Worthington</u>	<u>Total</u>
2010	\$ 26,052	\$ 53,552	\$ 79,604
2011	26,052	-	26,052
2012	<u>4,342</u>	<u>-</u>	<u>4,342</u>
Total	<u>\$ 56,446</u>	<u>\$ 53,552</u>	<u>\$ 109,998</u>

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

NOTE 6- RECEIVABLES

Receivables consist entirely of federal program grants as of June 30, 2009.

Program	Amount
Title II-A Improving Teacher Quality	\$ 4,565
Title II-D Technology	849
Title VI Early Childhood Special Education	2,041
	\$ 7,455

There were no receivables at June 30, 2008.

NOTE 7 – 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 2009, the School contracted with Connections Academy, LLC to provide insurance in the following amounts through being included as an additional insured on their policy with Diversified Insurance Services for the following coverage:

Commercial general liability: \$2,000,000 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.

There were no settlements in excess of insurance coverage over the past three fiscal years.

NOTE 8 – FISCAL AGENT AND PAYMENTS TO SPONSOR

The sponsorship agreement with Ohio Council of Community Schools 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;

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

The Academy shall pay to the Sponsor 2.5 percent 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. The Academy's Fiscal Agent during the audit period was Millard & Associates.

NOTE 9– MANAGEMENT CONSULTING CONTRACT/PURCHASED SERVICES

The Academy entered into a five-year contract on August 7, 2003, with Connections Academy, LLC for curriculum, instruction, technology and other school management services, which was substantially extended via an amendment to June 30, 2016. Under the contract, the following terms were agreed upon:

Connections Academy LLC (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 certain actual expenses, pay a fee based on enrollment statistics and pay a school management fee to Connections Academy, LLC. The school management fee is not to exceed 15 percent of all funds received by the Academy. The total expense on an accrual basis under this contract for fiscal year 2009 totaled \$9,715,403. Of this amount, \$396,626 represents a contract payable at June 30, 2009.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

For the periods ended June 30, 2009 and 2008, Connections Academy, LLC, incurred the following expenses on behalf of the Academy:

Expense		2009	2008
Direct Expenses			
100	Salaries & wages	\$ 2,612,569	\$ 1,909,052
200	Employees' benefits	786,311	466,758
410	Professional & technical services	323,278	305,371
420	Property services	92,684	87,748
430	Travel	70,264	58,463
440	Communications	236,053	177,087
460	Contracted craft or trade services	6,340	4,613
490	Other purchased services	51,164	41,385
500	Supplies & materials	817,848	810,332
510	Other supplies	23,177	19,729
	Other direct costs - Allocated	367,017	193,971
	Indirect expenses:		
	Overhead	<u>3,711,581</u>	<u>2,767,351</u>
	Total expenses	<u><u>\$ 9,098,284</u></u>	<u><u>\$ 6,841,860</u></u>

The Management Company incurs a variety of costs including general and administrative costs, marketing costs, software development costs, curriculum development costs, enrollment and placement costs, fulfillment and asset tracking costs, legal costs, and other costs associated with providing services to more than one school. These costs are not charged directly to the schools but are allocated internally by the Management Company pro rata based on the number of total students that have enrolled in each school.

NOTE 10 - CONTINGENCIES

A. Grants

The Academy 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, the Academy has complied with all grant requirements.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

B. 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. The conclusions of this review could result in state funding being adjusted.

NOTE 11 – TAX EXEMPT STATUS

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 Academy's nonprofit status. The Academy was approved on October 26, 2006 for tax exempt status under 501(C)3 of the Internal Revenue Code. The approval had a retroactive date of July 3, 2003.

NOTE 12 – MANAGEMENT PLAN

The Academy had an operating loss of \$868,420 and a net asset surplus of \$9,128 at the end of fiscal year 2009. The Academy had an operating loss of \$929,188 and a net asset deficit of (\$3,967) at the end of fiscal year 2008. The Academy is projecting a positive net asset balance for fiscal year ending June 30, 2010.

NOTE 13 – MANAGEMENT COMPANY

The Academy has contracted with Connections Academy, LLC to provide employee services and to pay those employees. However, these contracted services do not relieve the school of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the school ultimately is responsible for remitting retirement contributions to the State Teachers Retirement System and the School Employees Retirement System.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street,

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$15,264, \$13,341 and \$12,157 respectively; 74.1 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$317,596, \$229,770 and \$159,240 respectively; 98.8 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$313,768 made by the Academy and \$226,854 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have the option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, there was no surcharge due or payable.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,150, \$3,983 and \$3,630 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$971, \$629 and \$573 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
NOTES TO FINANCIAL STATEMENTS
for the fiscal years ending June 30, 2009 and 2008**

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$22,685, \$16,412 and \$11,374 respectively; 100 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

SUPPLEMENTARY INFORMATION

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
for the fiscal years ending June 30, 2009 and 2008**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Title ECSE (Early Childhood Spec. Ed)	PF-S1	84.027	\$ 226	\$ 2,269
Title Part B-IDEA (Special Education)	6B-SF	84.173	<u>227,732</u>	<u>227,732</u>
Total Special Ed Cluster			<u>227,958</u>	<u>230,001</u>
Grants to Local Educational Agencies (ESEA Title 1)	C1-S1	84.010	499,551	499,551
Improving Teacher Quality (Title II-A)	TR-S1	84.367	21,501	26,065
Technology Literacy Challenge (Title II-D)	TJ-S1	84.318	3,830	4,679
Safe and Drug Free Schools (Title IV-A)	DR-S1	84.186	5,786	5,786
Innovative Educational Program Strategies (Title V)	C2-S1	84.298	<u>626</u>	<u>626</u>
Total U.S. Department of Education			<u>759,252</u>	<u>766,708</u>
TOTAL			<u>\$ 759,252</u>	<u>\$ 766,708</u>

The accompanying notes are an integral part of this schedule.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
for the fiscal years ending June 30, 2009 and 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying federal awards receipts and expenditures schedule (the schedule) is a summary of activity on the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.



**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**

Ohio Connections Academy
Hamilton County
2727 Madison Road
Cincinnati, Ohio 45209

To the Members of the Board of Directors
Ohio Connections Academy

We have audited the financial statements of the Ohio Connections Academy, Hamilton County, Ohio (the Academy), as of the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 3, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the

Academy's internal control. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

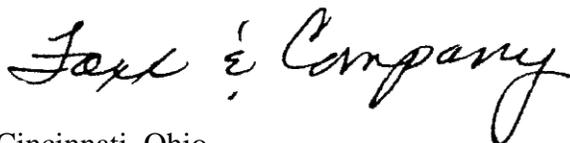
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Academy's financial statements are free of 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, the Community's Sponsor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jaxx & Company". The signature is written in black ink and is positioned above the printed text of the firm's name and date.

Cincinnati, Ohio
May 3, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Ohio Connections Academy
Hamilton County
2727 Madison Road
Cincinnati, Ohio 45209

To the Members of the Board of Directors
Ohio Connections Academy

Compliance

We have audited the compliance of Ohio Connections Academy, Hamilton County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Academy's compliance with those requirements.

In our opinion, with the exception of the non compliance citation noted in Finding 2009-001, the Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors, the Community's Sponsor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cincinnati, Ohio
May 3, 2010

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the fiscal year ending June 30, 2009**

Section 1. SUMMARY OF AUDITORS RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were any other significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under Section .510?	Yes
Major Programs:	Grants to Local Educational Agencies (ESEA Title 1) - CFDA# 84.010
Dollar Threshold: Type A and B Programs	Type A: > \$300,000 Type B: All others
Low risk Auditee?	No

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2009**

SECTION 2. FINDINGS RELATED TO FEDERAL AWARDS
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Finding Number	2009-001
CFDA Title and Number	All
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation - Failure to File Single Audit Report by March 31, 2010.

Criteria: Good internal control related to financial reporting suggests that financial report should be issued in a timely manner in accordance with applicable guidelines and regulations. According to OMB Circular A-133, Paragraph 320a requires entities which expend more than \$500,000 in federal funds in a fiscal year to have an audit completed within nine months after the entity's year end.

Condition: The Academy did not file its Fiscal Year 2009 Single Audit Report by March 31, 2010.

Cause – The Academy was required to comply with the Ohio Auditor of State's (AOS) Technical Bulletin 2004-009 which requires an agreed-upon procedures report related to the expenses of the Academy's management company. While the Academy made an effort to timely meet this requirement, the initial agreed-upon procedures report submitted by the accounting firm contracted to perform the procedures did not meet the AOS requirements. The revised agreed-upon procedure report was not finalized until April 2010. Additionally, although a request was submitted to extend the filing due date, the request was denied as a result of OMB guidance issued to Federal agencies on March 22, 2010 indicating agencies should not grant any extension request to grantees for fiscal years 2009 through 2011.

Effect – Non compliance with OMB Circular A-133, Paragraph 320a.

Recommendation – We recommend that the Academy ensure the agreed-upon procedures report for future years meet the current AOS requirements to help avoid delays in issuing the Single Audit reports.

Views of responsible officials and planned corrective actions

Management will take steps to ensure the timely completion of the AUP report and the financial audit so that the subsequent filings occur by the mandated deadline.

**OHIO CONNECTIONS ACADEMY
HAMILTON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
for the year ended June 30, 2009**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Or Finding No Longer Valid; Explain:
2008-001	Non compliance with Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose".	Yes	Fully Corrected as of March 24, 2009. Similar non compliance was not identified during the fiscal year ending June 30, 2009.
2008-002	Non compliance with 2 C.F.R. 225 Appendix A Section (E). There was \$118,901 of salaries and benefits and \$26,159 of non payroll expenses that appeared to be unallowable.	No	Partially Corrected as fiscal year ending June 30, 2009. All Title I costs are accounted for in accordance with 2 C.F.R. 225 Appendix A Section (E). However, prior year finding and related questioned costs have not been resolved as of the report date.
2008-003	Non compliance with A-133 subpart C Section .300, 2 C.F. R. Appendix A (C)(1)(i), and 34 C.F.R 74.21(b)(2) Federal expenditures claimed were not accounted for separately but included in one fund with all other expenditures of the Academy. The federal expenditures were allocated to the federal grants based on the revenue from each federal award	Yes	Fully Corrected as of June 30, 2009
2008-004	Non compliance with 34 C.F.R 74.25(a)&(b). The actual expenses for the Title 1 awarded exceeded budgeted amounts.	Yes	Fully Corrected as of June 30, 2009



Independent Accountants' Report on Applying Agreed-Upon Procedures

Ohio Connections Academy
Hamilton County, Ohio
2727 Madison Road
Cincinnati, Ohio 45209

To the Board of Directors:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Ohio Connections Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 25, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - a. A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - c. A procedure for reporting prohibited incidents;

- d. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- e. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- f. A procedure for documenting any prohibited incident that is reported;
- g. A procedure for responding to and investigating any reported incident;
- h. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student’s rights under the first amendment to the Constitution of the United States;
- j. A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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


Foxx & Company
May 3, 2010



Mary Taylor, CPA
Auditor of State

OHIO CONNECTIONS ACADEMY

HAMILTON 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
SEPTEMBER 9, 2010**