



Dave Yost • Auditor of State



**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ashland County Community Academy  
Ashland County  
176 Union Street  
Ashland, Ohio 44805

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Ashland County Community Academy, Ashland County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ashland County Community Academy, Ashland County, Ohio, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 22, 2015

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The management's discussion and analysis of the Ashland County Community Academy's ("ACCA") financial performance provides an overall review of ACCA's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at ACCA'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 ACCA's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position was \$477,990 at June 30, 2014.
- ACCA had operating revenues of \$860,090, operating expenses of \$854,262, nonoperating revenues of \$133,646, and nonoperating expenses of \$26,304 for fiscal year 2014. The total change in net position for the fiscal year was an increase of \$113,170.

**Using the Basic Financial Statements**

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand ACCA's financial activities. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of ACCA, including all short-term and long-term financial resources and obligations.

**Reporting ACCA's Financial Activities**

***Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows***

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did ACCA do financially during fiscal year 2014?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report ACCA's net position and change in net position. This change in net position is important because it tells the reader that, for ACCA as a whole, the financial position of ACCA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how ACCA finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-21 of this report.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The table below provides a summary of ACCA's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current assets	\$ 478,848	\$ 364,994
Capital assets, net	<u>46,979</u>	<u>54,238</u>
Total assets	<u>525,827</u>	<u>419,232</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>47,837</u>	<u>54,412</u>
Total liabilities	<u>47,837</u>	<u>54,412</u>
<b><u>Net Position</u></b>		
Investment in capital assets	46,979	54,238
Restricted	12,476	14,385
Unrestricted	<u>418,535</u>	<u>296,197</u>
Total net position	<u>\$ 477,990</u>	<u>\$ 364,820</u>

At June 30, 2014, current assets increased \$113,854 or 31.19% mainly due to ACCA's improving cash fund balance.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, ACCA's net position totaled \$477,990.

At year end, capital assets represented 8.93% of total assets. Capital assets consisted of furniture and equipment and lease-hold improvements. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

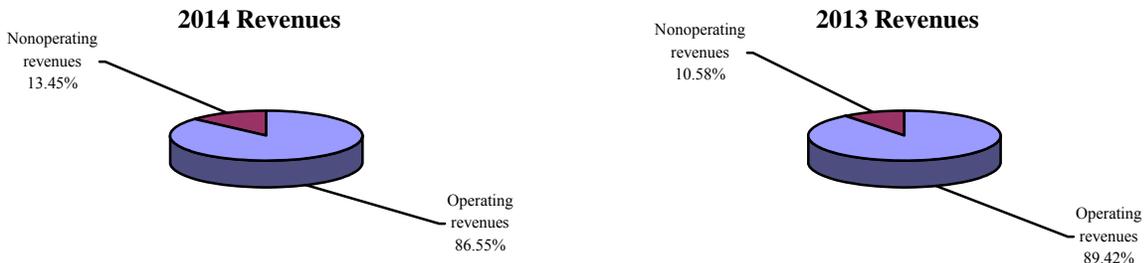
The table below shows the changes in net position for fiscal years 2014 and 2013.

**Change in Net Position**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 854,846	\$ 778,246
Other	5,244	9,973
Total operating revenues	<u>860,090</u>	<u>788,219</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	808,376	711,338
Materials and supplies	31,450	43,365
Depreciation	13,303	16,455
Other	1,133	8,517
Total operating expenses	<u>854,262</u>	<u>779,675</u>
<b><u>Nonoperating Revenues (Expenses):</u></b>		
State and Federal grants	133,616	93,215
Interest revenue	30	-
Loss on disposal of capital assets	<u>(26,304)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>107,342</u>	<u>93,215</u>
Change in net position	113,170	101,759
Net position at beginning of year	<u>364,820</u>	<u>263,061</u>
Net position at end of year	<u>\$ 477,990</u>	<u>\$ 364,820</u>

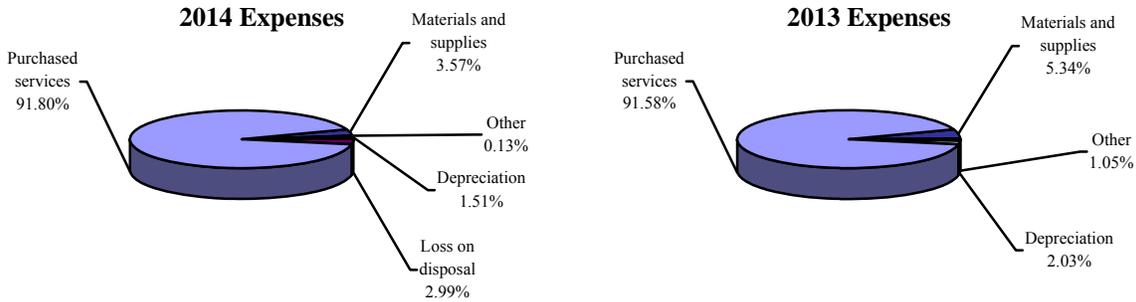
During fiscal year 2014, overall operating revenues increased \$71,871 or 9.12% primarily due to an increase in foundation revenue received from the State. Overall operating expenses increased \$74,587 or 9.57%. ACCA also reported a loss on disposal of capital assets due to a change in the location of its operations during fiscal year 2014.

The charts below illustrate the revenues and expenses for ACCA during fiscal years 2014 and 2013.



**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**



**Capital Assets**

At June 30, 2014, ACCA had \$46,979 invested in furniture and equipment and lease-hold improvements. See Note 6 to the basic financial statements for detail on capital assets.

**Current Financial Related Activities**

ACCA is sponsored by Tri-County Educational Service Center. ACCA is reliant upon State foundation monies and State and Federal grants to offer quality, educational services to students.

In order to continually provide learning opportunities to ACCA's students, ACCA will apply resources to best meet the needs of its students. It is the intent of ACCA to apply for other State and Federal funds that are made available to finance its operations.

**Contacting ACCA's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of ACCA's finances and to show ACCA's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jill Meng, Treasurer, Ashland County Community Academy, 716 Union Street, Ashland, Ohio 44805.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION

JUNE 30, 2014

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 470,845
Receivables:	
Accounts . . . . .	4,546
Prepayments . . . . .	3,457
Total current assets. . . . .	478,848
Noncurrent assets:	
Capital assets, net . . . . .	46,979
Total assets. . . . .	525,827
<b>Liabilities:</b>	
Current:	
Accounts payable. . . . .	935
Intergovernmental payable . . . . .	46,902
Total liabilities. . . . .	47,837
<b>Net position:</b>	
Investment in capital assets . . . . .	46,979
Restricted for:	
Public school support. . . . .	211
State funded programs . . . . .	6,581
Federally funded programs . . . . .	5,684
Unrestricted . . . . .	418,535
Total net position . . . . .	\$ 477,990

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 854,846
Other . . . . .	5,244
Total operating revenues . . . . .	<u>860,090</u>
 <b>Operating expenses:</b>	
Purchased services . . . . .	808,376
Materials and supplies . . . . .	31,450
Other . . . . .	1,133
Depreciation . . . . .	13,303
Total operating expenses . . . . .	<u>854,262</u>
 Operating income . . . . .	 <u>5,828</u>
 <b>Nonoperating revenues (expenses):</b>	
State and Federal grants . . . . .	133,616
Interest revenue . . . . .	30
Loss on disposal of capital assets . . . . .	(26,304)
Total nonoperating revenues (expenses) . . . . .	<u>107,342</u>
 Change in net position . . . . .	 113,170
 <b>Net position at beginning of year . . . . .</b>	 <u>364,820</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 477,990</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 843,931
Cash received from other operations . . . . .	9,528
Cash payments for contractual services. . . . .	(765,714)
Cash payments for materials and supplies. . . . .	(29,682)
Cash payments for other expenses . . . . .	(1,318)
	56,745
<b>Net cash provided by operating activities. . . . .</b>	
	56,745
<b>Cash flows from noncapital financing activities:</b>	
Cash received from State and Federal grants . . . . .	133,616
	133,616
<b>Net cash provided by noncapital financing activities . . . . .</b>	
	133,616
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets. . . . .	(32,348)
	(32,348)
<b>Net cash used in capital and related financing activities . . . . .</b>	
	(32,348)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	30
	30
<b>Net cash provided by investing activities . . . . .</b>	
	30
Net increase in cash and cash equivalents. . . . .	158,043
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>312,802</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 470,845</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 5,828
Adjustments:	
Depreciation . . . . .	13,303
Changes in assets and liabilities:	
Decrease in accounts receivable. . . . .	1,461
Decrease in prepayments . . . . .	42,728
(Decrease) in accounts payable . . . . .	(1,734)
(Decrease) in intergovernmental payable . . . . .	(4,841)
	(4,841)
<b>Net cash provided by operating activities. . . . .</b>	<b>\$ 56,745</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF ACCA**

The Ashland County Community Academy (“ACCA”) is a tax-exempt, non-profit corporation established pursuant to Ohio Revised Code Sections 3314.02 and 3314.03 to develop a conversion school alternative educational program for academically at-risk area high school age students, including but not limited to special needs students. ACCA, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. ACCA may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of ACCA. Management is not aware of any course of action or series of events that have occurred that might adversely affect ACCA’s tax-exempt status.

On July 8, 2008, the Tri-County Educational Service Center (the “Sponsor”) accepted sponsorship of ACCA. ACCA became established as a non-profit corporation on January 20, 2009 and was approved under a five year contract with the Sponsor commencing June 23, 2009 through June 30, 2014. The Sponsor is responsible for evaluating the performance of ACCA and has the authority to deny renewal of the contract at its expiration. The Board of Directors is responsible for the operations of ACCA.

ACCA operates under the direction of a five member Board of Directors. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards and admission standards. The Board of Directors controls ACCA’s one instructional/support facility staffed by one certificated Director, one certificated full time principal, five certificated teaching personnel, two non-certificated staff members and one certificated part time related service providers who provide services to 127 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of ACCA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. ACCA’s significant accounting policies are described below.

**A. Basis of Presentation**

ACCA’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**B. Measurement Focus**

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The difference between total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is defined as net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how ACCA finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. ACCA's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which ACCA receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is 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 ACCA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to ACCA on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in their contract with their Sponsor. The contract between ACCA and its Sponsor, Tri-County Educational Service Center, does not prescribe a budgetary process for ACCA.

**E. Cash and Investments**

All monies received by ACCA are deposited in a demand deposit account or included in ACCA's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio - the State Treasurer's Investment Pool), and are recorded on the statement of net position as "cash and cash equivalents".

ACCA has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2014.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

An analysis of ACCA's investments at fiscal year end is provided in Note 4.

**F. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value on the date donated. ACCA maintains a capitalization threshold of \$1,000. ACCA does not have any infrastructure. Improvements are capitalized. 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. Lease-hold improvements are depreciated over the shorter of useful lives of the related capital assets or the lease period. Furniture and equipment are depreciated over 5-15 years. Depreciation is computed using the straight-line method.

**G. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. The outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of capital assets, and deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt, should also be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by ACCA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position has been restricted for public school support and State and Federally funded programs.

ACCA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**H. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**I. Intergovernmental Revenues**

ACCA currently participates in the State foundation program and the State of Ohio Educational Management Information System grant. ACCA also participates in Federal grant programs including IDEA-Part B, Title I and Improving Teacher Quality. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year. State foundation revenue for fiscal year 2014 totaled \$854,846, and is recognized as operating revenue.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which all eligibility requirements, as described in Note 2.C, have been met. State and Federal grant revenue for fiscal year 2014 totaled \$133,616.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of ACCA. For ACCA, these revenues are primarily payments from the State foundation program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of ACCA. All revenues and expenses not meeting this definition are reported as nonoperating.

**K. Estimates**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2014, ACCA has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of ACCA.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Cash on Hand**

At fiscal year end, ACCA had \$50 in undeposited cash on hand, which is included on the basic financial statements of ACCA as part of "cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of ACCA's deposits was \$70,765. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, ACCA's entire bank balance of \$82,539 was covered by the Federal Deposit Insurance Corporation (FDIC).

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

**C. Investments**

At June 30, 2014, ACCA had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u> 6 months or less
STAR Ohio	<u>\$ 400,030</u>	<u>\$ 400,030</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, ACCA's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. ACCA has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, ACCA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. ACCA's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* ACCA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by ACCA at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 400,030</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position at June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 70,765
Investments	400,030
Cash on hand	<u>50</u>
Total	<u>\$ 470,845</u>
 <u>Cash and investments per statement of net position</u>	
Business-type activities	<u>\$ 470,845</u>

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2014 consisted of accounts receivable (billings for user charged services and student fees) in the amount of \$4,546. Receivables are disaggregated on the face of the basic financial statements. All accounts receivable are expected to be collected within the subsequent year.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Furniture and equipment	\$ 112,040	\$ 1,757	\$ (49,157)	\$ 64,640
Lease-hold improvements	55,770	30,591	(55,770)	30,591
Less: accumulated depreciation	<u>(113,572)</u>	<u>(13,303)</u>	<u>78,623</u>	<u>(48,252)</u>
Capital assets, net	<u>\$ 54,238</u>	<u>\$ 19,045</u>	<u>\$ (26,304)</u>	<u>\$ 46,979</u>

**NOTE 7 - RISK MANAGEMENT**

ACCA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2014, ACCA is a member of the Schools of Ohio Risk Sharing Authority (SORSA) consortium to provide its property and general liability insurance (See Note 14).

**NOTE 8 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 676,604
Property services	86,264
Other purchased services	<u>45,508</u>
Total	<u>\$ 808,376</u>

**NOTE 9 - CONTRACTS**

**A. Sponsor Contract**

ACCA has entered into a five year contract commencing on June 23, 2009 and continuing through June 30, 2014 with Tri-County Educational Service Center (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Attend training sessions as required by the Ohio Department of Education (ODE) and assure that technical assistance is provided to ACCA.
- Verify by a site visit prior to ACCA's opening for instruction whether ACCA complies with all requirements.
- Monitor ACCA's compliance with the contract with the Sponsor and the laws applicable to ACCA.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 9 - CONTRACTS - (Continued)**

**A. Sponsor Contract (Continued)**

- Monitor and evaluate the academic and fiscal performance and the organization and operation of ACCA as well as the legal compliance of ACCA.
- Provide technical assistance to ACCA.
- Comply with the financial reporting requirements as established by ODE and in accordance with applicable accounting standards as prescribed by all applicable sections of the Ohio Revised Code.
- As permitted by law, intervene in ACCA's operation to correct problems in ACCA's overall performance, declare ACCA to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of ACCA pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor.
- Establish a written plan of action to be undertaken in the event that ACCA experiences financial difficulties or closes before the end of the school year.

**B. Special Services and Employment Services Contracts**

ACCA and the Sponsor have entered into a Special Services Contract and an Employment Services Contract commencing August 1, 2013 through July 31, 2014. The Sponsor shall serve as fiscal agent and pay all personnel expenses involved in ACCA programs including salary and fringe benefits. For these services, ACCA will reimburse the Sponsor the actual costs and pay the Sponsor 3% of the cost for providing the services. For the fiscal year ended June 30, 2014, ACCA paid the Sponsor \$562,004 for services under these contracts.

**NOTE 10 - OPERATING LEASE**

In fiscal year 2014, ACCA entered into a sixty month lease agreement with Enterprise Parkway Leasing, Ltd. for classroom space. The lease began on September 1, 2013 and is scheduled to terminate on August 31, 2018, at a rate of \$5,382 per month. ACCA makes payments related to the lease agreement directly to the leasing company.

A schedule of the future lease payments required under the operating lease at June 30, 2014 follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2015	\$ 64,584
2016	64,584
2017	64,584
2018	64,584
2019	<u>10,764</u>
Total payments	<u>\$ 269,100</u>

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 11 - CONTINGENCIES**

**A. Grants**

ACCA received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of ACCA. However, the effect of any such disallowed claims on the overall financial position of ACCA at June 30, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

ACCA is not party to legal proceedings which, in the opinion of ACCA management, will have a material effect, if any, on the financial condition of ACCA.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure community schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review identifies the amount of any overpayment or underpayment to community schools. As of the date of this report, the review has not been completed. ACCA does not anticipate any significant adjustments to State funding for fiscal year 2014 as a result of the reviews.

The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

**NOTE 12 - PENSION PLANS**

ACCA has contracted with the Sponsor to provide all teaching and administrative personnel. Such personnel are employees of the Sponsor; however, ACCA is responsible for monitoring and ensuring the Sponsor makes pension contributions on its behalf. The retirement systems consider ACCA as the "Employer of Record", therefore ACCA is ultimately responsible for remitting retirement contributions to each of the systems noted below.

**A. School Employees Retirement System**

Plan Description - ACCA contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 12 - PENSION PLANS - (Continued)**

**A. School Employees Retirement System (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and ACCA is required to contribute at an actuarially determined rate. The current ACCA rate is 14 percent of annual covered payroll. A portion of ACCA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. ACCA's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$11,566, \$10,939 and \$10,972, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - ACCA 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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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.

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.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio (Continued)**

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. ACCA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

ACCA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$37,793, \$34,169 and \$30,079, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Board of Directors have elected Social Security. ACCA's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - ACCA participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**A. School Employees Retirement System (Continued)**

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 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

ACCA's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$124, \$134 and \$475, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. ACCA's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$671, \$618 and \$648, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - ACCA contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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](http://www.strsoh.org), under "Publications" 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. ACCA's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,907, \$2,628 and \$2,314, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 14 - PUBLIC ENTITY RISK POOL**

Schools of Ohio Risk Sharing Authority

ACCA participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of Directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the participants' property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code Chapter 2744.



# Dave Yost • Auditor of State

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

Ashland County Community Academy  
Ashland County  
176 Union Street  
Ashland, Ohio 44805

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ashland County Community Academy, Ashland County, Ohio, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 22, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Academy's 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, opining 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 2014-002.

### ***Academy's Response to Findings***

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

### ***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 22, 2015

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness – Financial Statement Presentation**

The compilation and presentation of materially correct financial statements and related footnotes is the responsibility of management of the Academy. This responsibility remains intact, even if management outsources this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that the accountant or consultant are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The Academy's financial statements and accounting records understated intergovernmental payables by \$38,492 related to payroll expenses incurred by June 30, 2014 but paid in July 2014.

The Academy has posted this adjustment to their account records and June 30, 2014 financial statements.

We recommend that the Academy implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

**Officials' Response:**

We feel the GAAP Financial Statements were fairly presented. Tri-County ESC's contract with its employees runs from August 1 - July 31, meaning ACCA is responsible for its portion of Tri-County ESC's personnel expenses through July 31. Therefore, it is ideal for ACCA to reflect the 12 months of personnel expenses that occurred from August 1 - July 31 on its financial statements each fiscal year. For instance, in FY2015 it would be ideal for ACCA to reflect the total personnel expenses from August 1, 2014 - July 31, 2015, even though ACCA's fiscal year ends on June 30, 2015.

In FY2013 and FY2014 (and in fiscal years prior to those), ACCA submitted financial reports that reflected 12 months of personnel expenses that weren't necessarily August 1 - July 31 amounts. The belief was that any differences between the personnel expenses each month would be immaterial, so as long as 12 months of personnel expenses were reflected each fiscal year that should be sufficient.

The auditors decided for the FY2014 financial statements that ACCA should be reflecting personnel expenses for the specific period of August 1 - July 31, which resulted in the audit adjustments that are included in the financial statements.

**Auditor of State Conclusion:**

Although the agreement between Academy and the Tri-County ESC is for an annual period of August 1 through July 31, the personnel costs related to the contract were for instructional services that were provided as of June 30, 2014. Expenditures not paid as of June 30, 2014 for these contracted personnel services provided as of June 30, 2014 are a liability to the Academy and should be reported as an intergovernmental payable on the financial statements.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014  
(Continued)**

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

**FINDING NUMBER 2014-002**

**Material Weakness – Noncompliance – Student Withdrawals**

**Ohio Rev. Code § 3314.08(H)(2)** provides that a student's enrollment shall be considered to cease on the date on which any of the following occur: (a) The community school receives documentation from a parent terminating enrollment of the student; (b) The community school is provided documentation of a student's enrollment in another public or private school; (c) The community school ceases to offer learning opportunities to the student.

**Ohio Rev. Code § 3314.03(A)(6)(b)** further provides a requirement that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student without a legitimate excuse fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student.

The **Ashland County Community Academy (ACCA) Handbook** states, "Any student enrolled in the morning academic program who is absent from school for 105 consecutive instructional hours will be withdrawn from Ashland County Community Academy. In this event, students may seek re-enrollment in ACCA or pursue enrollment in their district of residence. ACCA will communicate this withdrawal to other pertinent parties including, but not limited to, parents/guardians, attendance officers, probation officers, and resident school districts."

For 7 of 13 withdrawn students tested, the Academy did not report an accurate withdrawal date in the School Options Enrollment System (SOES) based on when enrollment ceased. The Academy's regular school session is 5.93 hours a day and a student would be considered truant approximately 18 consecutive unexcused absences after the last date of attendance. The table below shows withdrawal dates in the SOES system compared to recalculated withdrawal dates after 18 consecutive unexcused absences.

	<b>Withdrawal Reason</b>	<b>Recalculated Withdrawal Date</b>	<b>SOES Withdrawal Date</b>
1	Completed High School Graduation Requirements	No attendance record	1/16/2014
2	Withdrew Due to Truancy/Nonattendance	No attendance record	2/3/2014
3	Withdrew Due to Truancy/Nonattendance	12/16/2013	3/3/2014
4	Withdrew Due to Truancy/Nonattendance	12/5/2013	3/10/2014
5	Withdrew Due to Truancy/Nonattendance	11/20/2013	5/8/2014
6	Withdrew Due to Truancy/Nonattendance	3/13/2014	5/14/2014
7	Withdrew Due to Truancy/Nonattendance	3/26/2014	5/21/2014

Untimely reporting of withdrawn students can lead to the Ohio Department of Education (ODE) providing an inaccurate amount of foundation monies to the Academy. Recalculated actual and projected overpayment of foundation receipts related to the errors identified above would be \$16,087 and \$73,010, respectively.

**ASHLAND COUNTY COMMUNITY ACADEMY  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
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**FINDING NUMBER 2014-002 (continued)**

**Material Weakness – Noncompliance – Student Withdrawals (continued)**

We recommend that ODE complete a detailed full time equivalency review to identify the actual overpayment that may be owed back to ODE by the Academy.

We recommend the Academy develop and follow procedures to ensure that withdrawn students are accurately reported in SOES as of the date enrollment has ceased as defined in the Ohio Revised Code and the ODE's EMIS Manual.

This matter will be referred to the Ohio Department of Education.

**Officials' Response:**

We have conducted a detailed FTE review and determined that there are reporting errors. We request ODE to complete a detailed FTE review to identify the actual amount owed to ODE by the Academy.

Our superintendent, Allen Wilson has developed a new FTE Policy which will result in much closer monitoring of our students and their attendance. Briefly, our new policy will provide:

- Individual monitoring of every student's attendance and on-line activity on a 10 day cycle
- A current student roster, generated from an SIS student search from DASL and shared with our EMIS coordinator, treasurer and superintendent
- A "watch list" which will be generated listing those student who may be at risk. This status is based upon 5 or more unexcused absences, 5 or more consecutive days of no on-line activity, or a combination of both
- The superintendent making contact with those students on the "watch list" by sending a withdrawal warning letter, making phone calls or making home visits
- Official letters of withdrawal sent by the superintendent to parents/guardians and adult students who fail to respond
- Documentation of the above procedure (copies of letters, phone logs, home visit logs) will be included in the student files

As a board, we are proud of the good things are happening in our school and the positive impact we have on students and the community. We are also thoroughly committed to providing a process where this kind of unintentional discrepancy in our FTE reporting does not happen again.

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# Dave Yost • Auditor of State

**ASHLAND COUNTY COMMUNITY ACADEMY**

**ASHLAND 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  
AUGUST 4, 2015**