

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, 2016, 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.

Ashland County Community Academy

Ashland County

Independent Auditor's Report

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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, 2016, and the respective changes in financial position and, where applicable, 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 31, 2017, 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 31, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016. 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 2016 are as follows:

- In total, net position was \$502,770 at June 30, 2016.
- ACCA had operating revenues of \$854,998, operating expenses of \$856,714, and nonoperating revenues of \$72,368 for fiscal year 2016. The total change in net position for the fiscal year was an increase of \$70,652.

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 2016?" 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 10-18 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The table below provides a summary of ACCA's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets	\$ 590,066	\$ 451,703
Capital assets, net	<u>25,351</u>	<u>36,684</u>
Total assets	<u>615,417</u>	<u>488,387</u>
<u>Liabilities</u>		
Current liabilities	<u>112,647</u>	<u>56,269</u>
Total liabilities	<u>112,647</u>	<u>56,269</u>
<u>Net Position</u>		
Investment in capital assets	25,351	36,684
Restricted	6,131	24,416
Unrestricted	<u>471,288</u>	<u>371,018</u>
Total net position	<u>\$ 502,770</u>	<u>\$ 432,118</u>

At June 30, 2016, assets increased \$127,030 or 26.01% mainly due to ACCA's increase in cash fund balance.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, ACCA's net position totaled \$502,770.

At year end, capital assets represented 4.12% 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**

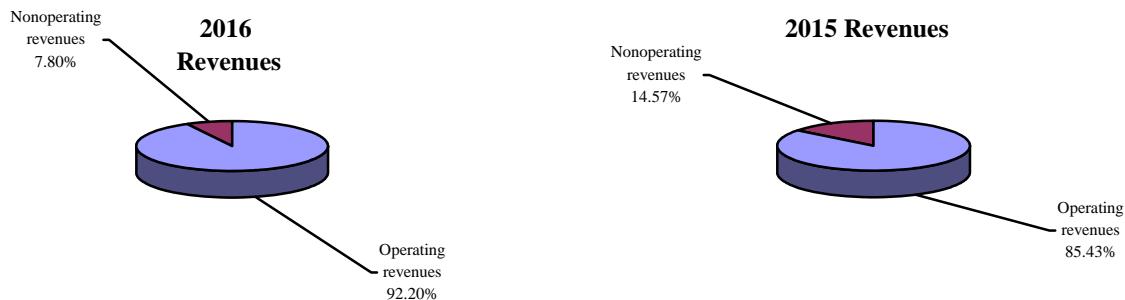
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2016 and 2015.

	Change in Net Position	
	<u>2016</u>	<u>2015</u>
<u>Operating Revenues:</u>		
State foundation	\$ 853,607	\$ 718,471
Charges for services	522	-
Other	869	4,638
Total operating revenues	<u>854,998</u>	<u>723,109</u>
<u>Operating Expenses:</u>		
Purchased services	789,936	835,131
Materials and supplies	35,954	32,486
Depreciation	11,333	14,393
Other	19,491	10,265
Total operating expenses	<u>856,714</u>	<u>892,275</u>
<u>Nonoperating Revenues (Expenses):</u>		
State and Federal grants	71,321	123,113
Interest revenue	1,047	181
Total nonoperating revenues (expenses)	<u>72,368</u>	<u>123,294</u>
Change in net position	70,652	(45,872)
Net position at beginning of year	<u>432,118</u>	<u>477,990</u>
Net position at end of year	<u>\$ 502,770</u>	<u>\$ 432,118</u>

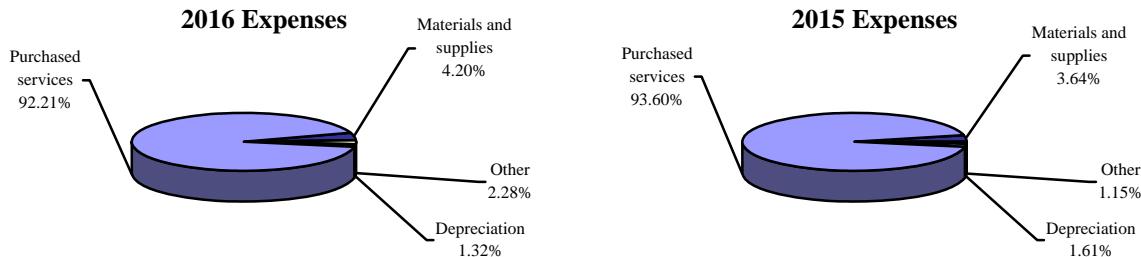
During fiscal year 2016, overall operating revenues increased \$131,889 or 18.24% primarily due to an increase in foundation revenue received from the State. Overall operating expenses decreased \$35,561 or 3.99%, which is a due to a decrease in purchased services.

The charts below illustrate the revenues and expenses for ACCA during fiscal years 2016 and 2015.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**



Capital Assets

At June 30, 2016, ACCA had \$25,351 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, 2016

Assets:

Current assets:

Cash and cash equivalents	\$ 581,155
Receivables:	
Intergovernmental.	5,041
Prepayments	<u>3,870</u>
Total current assets	<u>590,066</u>

Non-current assets:

Capital assets, net

Total assets 615 417

Liabilities:

Accounts payable

Accounts payable	15,226
Intergovernmental payable	97,421
Total liabilities	112,647

Total liabilities

Net position:

Restricted for:

Public school support	435
State funded programs.	5,696
Unrestricted.	<u>471,288</u>
Total net position.	\$ 502,770

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Operating revenues:	
State foundation	\$ 853,607
Charges for services.	522
Other	869
Total operating revenues	854,998
Operating expenses:	
Purchased services.	789,936
Materials and supplies	35,954
Other.	19,491
Depreciation	11,333
Total operating expenses.	856,714
Operating loss	(1,716)
Non-operating revenues:	
State and Federal grants.	71,321
Interest revenue	1,047
Total nonoperating revenues	72,368
Change in net position	70,652
Net position at beginning of year.	432,118
Net position at end of year	\$ 502,770

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, 2016**

Cash flows from operating activities:

Cash received from state foundation	\$ 887,522
Cash received from charges for services.	522
Cash received from other operations	869
Cash payments for contractual services	(752,977)
Cash payments for materials and supplies	(36,728)
Cash payments for other expenses	<u>(14,572)</u>

Net cash provided by
operating activities

84,636

Cash flows from noncapital financing activities:

Cash received from grants and subsidies.	<u>78,575</u>
Net cash provided by noncapital financing activities.	<u>78,575</u>

Cash flows from investing activities:

Interest received	<u>1,047</u>
Net cash provided by investing activities	<u>1,047</u>
Net increase in cash and cash cash equivalents	164,258
Cash and cash equivalents at beginning of year	416,897
Cash and cash equivalents at end of year	<u>\$ 581,155</u>

**Reconciliation of operating income to net
cash used in operating activities:**

Operating loss	\$ (1,716)
Adjustments:	
Depreciation	11,333
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	18,982
Increase in prepayments	(341)
Increase in accounts payable	11,441
Increase in intergovernmental payable	<u>44,937</u>
Net cash provided by operating activities	<u>\$ 84,636</u>

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, 2016**

NOTE 1 - DESCRIPTION OF ACCA

The Ashland County Community Academy (“ACCA”) is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 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. ACCA was operated under a one-year contract with the Sponsor from July 1, 2014 through June 30, 2015. A new three-year contract was entered into with the same Sponsor commencing July 1, 2015 through June 30, 2018. 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 instructional/support facility staffed by a one full time equivalent (FTE) Superintendent/Principal, five FTE certificated teaching personnel, two FTE non-certificated staff members, and .3 certificated part time related service providers who provide services to 116 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, 2016**
(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 2016. 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 share price, which is the price the investment could be sold for on June 30, 2016.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**
(Continued)

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

E. Cash and Investments (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, 2016**
(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 2016 totaled \$853,607, 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 2016 totaled \$71,321.

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 non-operating.

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 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**
(Continued)

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES (Continued)

specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

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, 2016, the carrying amount of ACCA’s deposits was \$139,846. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, ACCA’s entire bank balance of \$144,835 was covered by the Federal Deposit Insurance Corporation (FDIC).

C. Investments

At June 30, 2016, ACCA had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u> 6 months or <u>less</u>
STAR Ohio	\$ 441,259	\$ 441,259

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

C. Investments (Continued)

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, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 441,259	<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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 139,846
Investments	441,259
Cash on hand	<u>50</u>
Total	\$ <u>581,155</u>

<u>Cash and investments per statement of net position</u>	
Business-type activities	\$ <u>581,155</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016 consisted of intergovernmental receivable (foundation funding) in the amount of \$5,041. 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, 2016 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
Furniture and equipment	\$ 66,787	\$ -	\$ -	\$ 66,787
Lease-hold improvements	32,542	-	-	32,542
Less: accumulated depreciation	<u>(62,645)</u>	<u>(11,333)</u>	<u>-</u>	<u>(73,978)</u>
Capital assets, net	\$ <u>36,684</u>	\$ <u>(11,333)</u>	\$ <u>-</u>	\$ <u>25,351</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**
(Continued)

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 2016, ACCA is a member of the Schools of Ohio Risk Sharing Authority (SORSA) consortium to provide its property and general liability insurance (See Note 12).

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2016, purchased services expenses were as follows:

Professional and technical services	\$ 624,239
Property services	84,643
Other purchased services	<u>81,054</u>
Total	<u>\$ 789,936</u>

NOTE 9 - CONTRACTS

A. Sponsor Contract

ACCA has entered into a three-year contract commencing on June 30, 2015 and continuing through June 30, 2018 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.
- 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**
(Continued)

NOTE 9 - CONTRACTS - (Continued)

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, 2014 through July 31, 2015. The aforementioned contract was amended to commence January 31, 2016 and end July 31, 2026. 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, 2016, ACCA paid the Sponsor \$554,374 for services under these contracts.

NOTE 10 - OPERATING LEASE

In fiscal year 2016, 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, 2016 follows:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2017	\$ 64,584
2018	64,584
2019	<u>10,764</u>
Total payments	<u>\$ 139,932</u>

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, 2016, 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**
(Continued)

NOTE 11 - CONTINGENCIES - (Continued)

C. State Foundation Funding

The ODE conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2016 reviews, the School owes \$14,933 to ODE. This amount has been reported as an intergovernmental payable on the statement of net position.

NOTE 12 - 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.

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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, 2016, 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 31, 2017.

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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 2016-001.

Ashland County Community Academy
Ashland County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Academy's Response to Findings

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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 31, 2017

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

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

FINDING NUMBER 2016-001

Material Weakness / Noncompliance – Online Student FTE Calculation

Ohio Rev. Code § 3314.08(H) requires, in part, the department of education to adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The state board of education within ninety days after April 8, 2003, shall adopt in accordance with Chapter 119 of the Revised Code to adopt rules governing the payments to community schools under this section including initial payments in a school year, adjustments and reductions made in subsequent periodic payments to community schools and corresponding deductions from school district accounts as provided under division (C) of this section.

Ohio Rev. Code § 3314.08(H)(2) provides in part, a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, "learning opportunities" shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school.

Ohio Rev. Code § 3314.08(H)(3) states, in part, the department shall determine each community school student's percentage of full-time equivalency (FTE) based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year.

In addition, **Ohio Rev. Code § 3314.03(A)(11)(a)** states, in part, the school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year.

The Academy's procedures to track FTE during fiscal year 2016 was to assess FTE based on the period between a student's enrollment date and withdrawal date, if applicable, or last day of school. If a student was enrolled the entire school year, the Academy reported an FTE of 1 for the student in EMIS; similarly, for example if a student was enrolled for a period of 60 days out of a possible 175 days, the Academy reported an FTE of .34 out of 1 for the student in EMIS. The Academy did not have policies or procedures in place during the audit period to use the duration of time a student was engaged in learning opportunities to assess FTE.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016
(Continued)**

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

FINDING NUMBER 2016-001 (Continued)

The Academy offered nine hundred and thirty five hours of in class instruction during the 2015-2016 school year. Ten of the forty six online only students were tested and variances between the student's reported FTE and the recalculated FTE based on logged hours in the Odysseyware software were noted as follows.

Student Number	Online Hours	Re-calculated FTE	Reported FTE	FTE Variance
Student 1	3.52	0.00	0.32	0.32
Student 2	13.08	0.01	0.14	0.13
Student 3	20.82	0.02	0.63	0.61
Student 4	4.53	0.00	0.47	0.47
Student 5	238.80	0.26	1.00	0.74
Student 6	20.05	0.02	0.37	0.35
Student 7	98.25	0.11	1.00	0.89
Student 8	270.68	0.29	1.00	0.71
Student 9	32.73	0.04	0.59	0.55
Student 10	90.13	0.10	1.00	0.90

The Academy's inability to provide documentation to support the FTE requirements for durational engagement for each student in EMIS could result in a potential liability owed to the Ohio Department of Education (ODE) for overfunding. The quantitative impact of a potential liability, if any, could not be readily determined at this time.

The Academy should review the statutory requirements to determine what documentation is needed to support the Academy's data reported for each student. Furthermore, the Academy should consider using ODE's most recent FTE manual as further guidance to determine what information ODE considers to be needed to support FTE. Once the Academy has an understanding of what is required to support FTE, the Academy should develop policies and procedures to capture the duration of time spent by students on computer, as well as time spent on non-computer learning opportunities.

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

Officials' Response: See Corrective Action Plan

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2014-002	Student Withdrawals	Partially Corrected	Student withdrawal errors were still noted; See Finding 2016-001 and corrective action plan.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Academy will incorporate guidance from ODE regarding documentation of online learning opportunities, as well as time spent on off-line and non-computer learning opportunities, into the Academy's reporting of full-time equivalent data for its students who receive instruction outside a classroom setting.	Immediately	Allen Wilson, Superintendent



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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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JULY 6, 2017