



Dave Yost • Auditor of State

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ashland County Community Academy
Ashland County
2 Hedstrom Drive
Ashland, Ohio 44805

To the Board of Directors:

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, 2012, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Ashland County Community Academy, Ashland County, Ohio, as of June 30, 2012, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 30, 2012

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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 2012 are as follows:

- In total, net assets were \$263,061 at June 30, 2012.
- ACCA had operating revenues of \$690,884, operating expenses of \$676,123 and non-operating revenues of \$103,690 for fiscal year 2012. The total change in net assets for the fiscal year was an increase of \$118,451.

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 assets and statement of revenues, expenses and changes in net assets 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

The statement of net assets and the statement of revenues, expenses and changes in net assets answer the question, "How did we do financially during fiscal year 2012?" These statements include all assets, liabilities, 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 assets and changes in those assets. This change in net assets 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 11-20 of this report.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The table below provides a summary of ACCA's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 203,456	\$ 175,993
Capital assets, net	<u>63,313</u>	<u>82,713</u>
Total assets	<u>266,769</u>	<u>258,706</u>
<u>Liabilities</u>		
Current liabilities	<u>3,708</u>	<u>114,096</u>
Total liabilities	<u>3,708</u>	<u>114,096</u>
<u>Net Assets</u>		
Invested in capital assets	63,313	82,713
Restricted	45,981	43,543
Unrestricted	<u>153,767</u>	<u>18,354</u>
Total net assets	<u>\$ 263,061</u>	<u>\$ 144,610</u>

At June 30, 2012, current liabilities decreased \$110,388 or 96.75% from the amount reported at June 30, 2011. This was mainly due to significant outstanding liabilities at June 30, 2011 to Ashland City School District and other various vendors for services provided, and Public Charter Schools Program grant expenses incurred, prior to year end. None of these liabilities were present at June 30, 2012.

Over time, net assets can serve as a useful indicator of an entity's financial position. At June 30, 2012, ACCA's net assets totaled \$263,061.

At year-end, capital assets represented 23.73% 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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

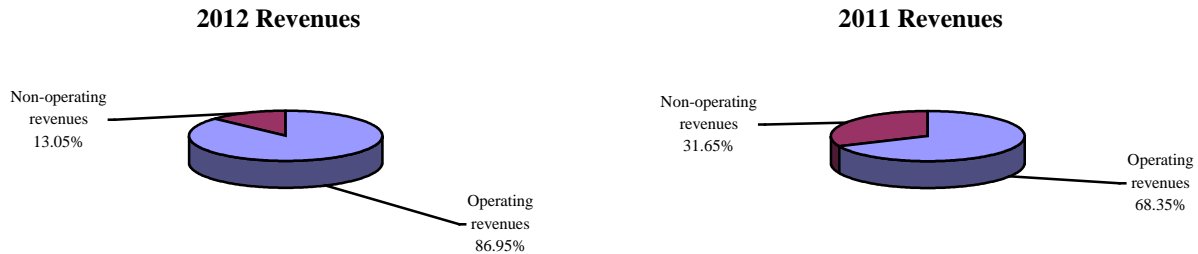
The table below shows the changes in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	<u>2012</u>	<u>2011</u>
<u>Operating Revenues:</u>		
State foundation	\$ 687,528	\$ 649,783
Other	<u>3,356</u>	<u>26,623</u>
Total operating revenue	<u>690,884</u>	<u>676,406</u>
<u>Operating Expenses:</u>		
Purchased services	630,038	886,508
Materials and supplies	20,555	65,094
Depreciation	23,503	43,867
Other	<u>2,027</u>	<u>5,487</u>
Total operating expenses	<u>676,123</u>	<u>1,000,956</u>
<u>Non-operating Revenues:</u>		
State and Federal grants	<u>103,690</u>	<u>313,145</u>
Total non-operating revenues	<u>103,690</u>	<u>313,145</u>
Change in net assets	118,451	(11,405)
Net assets at beginning of year	<u>144,610</u>	<u>156,015</u>
Net assets at end of year	<u>\$ 263,061</u>	<u>\$ 144,610</u>

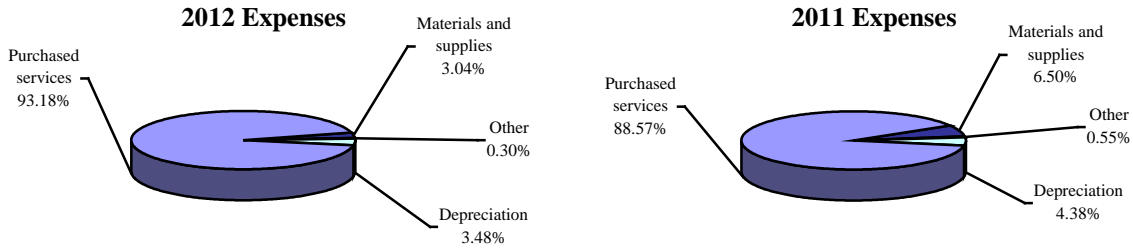
During fiscal year 2012, overall operating expenses and non-operating grant revenue decreased due to a decline in education stabilization and miscellaneous federal grant activity from fiscal year 2011.

The charts below illustrate the revenues and expenses for ACCA during fiscal years 2012 and 2011.



**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**



Capital Assets

At June 30, 2012, ACCA had \$63,313 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, 2 Hedstrom Drive, Ashland, Ohio 44805.

ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
Current assets:	
Cash and cash equivalents	\$ 180,011
Receivables:	
Intergovernmental	20,591
Prepayments.	<u>2,854</u>
Total current assets	<u>203,456</u>
Noncurrent assets:	
Capital assets, net	<u>63,313</u>
Total assets	<u>266,769</u>
Liabilities:	
Current:	
Accounts payable	3,367
Intergovernmental payable	<u>341</u>
Total liabilities	<u>3,708</u>
Net assets:	
Invested in capital assets	63,313
Restricted for public school support	91
Restricted for federally funded programs	40,042
Restricted for state funded programs	5,848
Unrestricted	<u>153,767</u>
Total net assets.	<u>\$ 263,061</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
Tuition and fees	\$ 60
Rental income	1,548
State foundation	687,528
Other	1,748
Total operating revenues	<u>690,884</u>
 Operating expenses:	
Purchased services	630,038
Materials and supplies	20,555
Other.	2,027
Depreciation	23,503
Total operating expenses	<u>676,123</u>
 Operating income.	 <u>14,761</u>
 Non-operating revenues:	
State and Federal grants	<u>103,690</u>
 Change in net assets	 118,451
Net assets at beginning of year.	<u>144,610</u>
Net assets at end of year	<u><u>\$ 263,061</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Cash received from tuition and fees	\$ 60
Cash received from rental income.	2,313
Cash received from State foundation	687,528
Cash received from other operations	1,748
Cash payments for contractual services.	(723,174)
Cash payments for materials and supplies.	(29,260)
Cash payments for other expenses	(2,149)
	<hr/>
Net cash used in operating activities	(62,934)
Cash flows from noncapital financing activities:	
Cash received from State and Federal grants	105,400
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(12,874)
	<hr/>
Net increase in cash and cash equivalents.	29,592
Cash and cash equivalents at beginning of year	150,419
Cash and cash equivalents at end of year	\$ 180,011
	<hr/> <hr/>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 14,761
Adjustments:	
Depreciation	23,503
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	765
(Increase) in prepayments.	(346)
(Decrease) in accounts payable	(11,608)
(Decrease) in intergovernmental payable.	(90,009)
	<hr/>
Net cash used in operating activities	\$ (62,934)
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Non-Cash Activity:

At June 30, 2011, ACCA purchased \$8,771 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 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, six certificated teaching personnel, two non-certificated staff members and two certificated part time related service providers who provide services to 110 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 also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided it does not conflict with or contradicts GASB pronouncements. ACCA has elected not to apply FASB guidance issued after November 30, 1989. ACCA's significant accounting policies are described below.

A. Basis of Presentation

ACCA’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. 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 (loss) is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 expense 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 the school.

E. Cash and Cash Equivalents

All monies received by ACCA are deposited in a demand deposit account and recorded on the statement of net assets as "cash and cash equivalents".

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. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over 5-15 years.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have 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 assets are 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 assets 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.

I. Intergovernmental Revenue

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 Education Jobs, IDEA-Part B, Education Stabilization, Stimulus Title II, Title I, Improving Teacher Quality and the Federal Start Up programs. 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 2012 totaled \$687,528 and is recognized as operating revenue.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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. State and Federal grant revenue for fiscal year 2012 totaled \$103,690.

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

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

For fiscal year 2012, ACCA has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of ACCA.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of ACCA.

NOTE 4 - DEPOSITS

At June 30, 2012, the carrying amount of ACCA's deposits was \$180,011. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, ACCA's entire bank balance of \$186,022 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

NOTE 5 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
IDEA-Part B	\$ 3,277
Stimulus Title II	434
Title I	16,074
Improving Teacher Quality	<u>806</u>
Total intergovernmental receivables	<u>\$ 20,591</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Furniture and equipment	\$ 100,557	\$ 4,103	\$ -	\$ 104,660
Lease-hold improvements	55,770	-	-	55,770
Less: accumulated depreciation	<u>(73,614)</u>	<u>(23,503)</u>	<u>-</u>	<u>(97,117)</u>
Capital assets, net	<u>\$ 82,713</u>	<u>\$ (19,400)</u>	<u>\$ -</u>	<u>\$ 63,313</u>

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 2012, ACCA is a member of the Schools of Ohio Risk Sharing Authority (SORSA) consortium to provide its property and general liability insurance.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

Professional and technical services	\$ 511,887
Property services	81,115
Other purchased services	<u>37,036</u>
Total	<u>\$ 630,038</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.
- 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**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2011 through July 31, 2012. 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, 2012, ACCA paid the Sponsor \$449,492 for services under these contracts.

NOTE 10 - OPERATING LEASE

The Sponsor entered into a lease agreement on behalf of ACCA on July 14, 2008 with Ashland Station, Inc. to lease classroom space located at the Ashland Square Shopping Center. The agreement was amended on November 11, 2009 to lease additional space. The amended lease began on January 1, 2010 and ended on September 30, 2011, at a rate of \$3,735 per month. ACCA also had leased additional office and classroom space from Enterprise Parkway Leasing, Ltd. from January 1, 2011 through June 30, 2011, at a rate of \$1,401 per month. At the conclusion of this lease, ACCA entered into a sixty-month lease agreement with Enterprise Parkway Leasing, Ltd. for both premises beginning on October 1, 2011 and ending on September 30, 2016, at a rate of \$5,382 per month. ACCA made payments related to the lease agreements directly to the respective leasing companies.

A schedule of the future lease payments required under the operating lease at June 30, 2012 follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2013	\$ 64,584
2014	64,584
2015	64,584
2016	64,584
2017	<u>16,146</u>
Total payments	<u>\$ 274,482</u>

NOTE 11 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

ACCA received financial assistance from Federal and State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of ACCA at June 30, 2012, if applicable, cannot be determined at this time.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 – CONTINGENCIES - (Continued)

B. Litigation

ACCA is not involved in any other litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education 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. ACCA has not been reviewed as of June 30, 2012. ACCA does not anticipate any significant adjustments to State funding for fiscal year 2012, as a result of the reviews which have yet to be completed.

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, under “Employers/Audit Resources”.

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 2012, 12.65 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 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. ACCA’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$10,972, \$10,757 and \$11,803, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - PENSION PLANS - (Continued)

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, 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.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 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 10 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, 2012, 2011 and 2010 were \$30,079, \$13,212 and \$8,040, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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, 2012, certain members of the Board of Directors have elected Social Security. ACCA's liability is 6.2 percent of wages paid.

**ASHLAND COUNTY COMMUNITY ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 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, under "*Employers/Audit Resources*".

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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

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, 2012, 2011 and 2010 were \$475, \$1,303 and \$425, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. ACCA's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$648, \$692 and \$702, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 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 2012, 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, 2012, 2011 and 2010 were \$2,314, \$1,016 and \$618, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.



Dave Yost • Auditor of State

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

Ashland County Community Academy
Ashland County
2 Hedstrom Drive
Ashland, Ohio 44805

To the Board of Directors:

We have audited the financial statements of the Ashland County Community Academy, Ashland County, Ohio, (the Academy) as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

October 30, 2012



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
NOVEMBER 15, 2012