

Mary Taylor, CPA
Auditor of State

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets.....	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	21

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ashland County Community Academy
Ashland County
2011 Baney Road South
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), a component unit of Tri-County Educational Service Center, as of June 30, 2009 and for the period January 20, 2009 through June 30, 2009, 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 of the Ashland County Community Academy, Ashland County, Ohio, as of June 30, 2009, and the changes in financial position and cash flows, thereof for the period January 20, 2009 through June 30, 2009, 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 November 23, 2009, 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.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

November 23, 2009

ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(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 period January 20, 2009 through June 30, 2009, which was the first period of operation for ACCA. 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 the period January 20, 2009 through June 30, 2009 are as follows:

- In total, net assets were \$109,583 at June 30, 2009.
- ACCA had operating revenues of \$342,610, operating expenses of \$417,555 and non-operating revenues of \$143,551 for the period January 20, 2009 through June 30, 2009. Total change in net assets for ACCA's initial period of operation was an increase of \$68,606.

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 our initial operating period?" 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 period'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 11-16 of this report.

ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(UNAUDITED)

Since this is the first year that ACCA has prepared financial statements, comparison with the prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of ACCA's net assets at June 30, 2009.

	Net Assets
	<u>2009</u>
<u>Assets</u>	
Current assets	\$ 46,631
Capital assets, net	<u>65,615</u>
Total assets	<u>112,246</u>
<u>Liabilities</u>	
Current liabilities	<u>2,663</u>
Total liabilities	<u>2,663</u>
<u>Net Assets</u>	
Invested in capital assets	65,615
Restricted	10,977
Unrestricted	<u>32,991</u>
Total net assets	<u>\$ 109,583</u>

Over time, net assets can serve as a useful indicator of an entity's financial position. At June 30, 2009, ACCA's net assets totaled \$109,583.

At June 30, 2009, capital assets represented 58.46% of total assets. Capital assets consisted of furniture, computer 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
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(UNAUDITED)

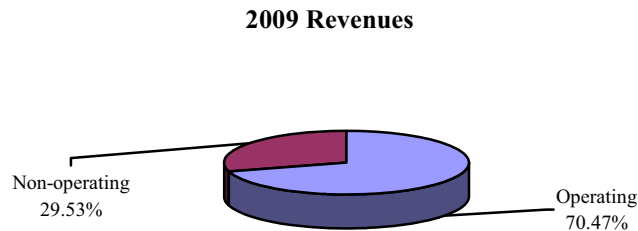
The table below shows the changes in net assets for the period January 20, 2009 through June 30, 2009.

Change in Net Assets

	2009
<u>Operating Revenues:</u>	
State foundation	\$ 335,645
Charges for services	2,625
Other	4,340
Total operating revenue	342,610
<u>Operating Expenses:</u>	
Purchased services	372,208
Materials and supplies	37,483
Depreciation	6,621
Other	1,243
Total operating expenses	417,555
<u>Non-operating Revenues:</u>	
Federal grants	143,551
Total non-operating revenues	143,551
Change in net assets	68,606
Net assets at beginning of period	40,977
Net assets at end of period	\$ 109,583

The period January 20, 2009 through June 30, 2009 was the first period of operation for ACCA. See Note 11 to the basic financial statements for detail on the start-up period net assets.

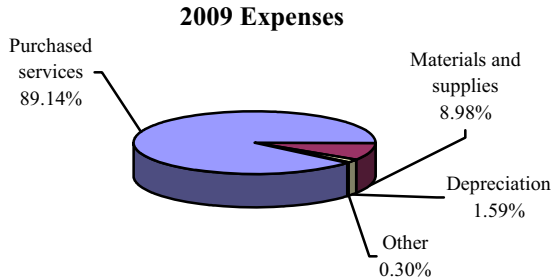
The chart below illustrates the revenues for ACCA during the period January 20, 2009 through June 30, 2009.



ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(UNAUDITED)

The chart below illustrates the expenses for ACCA during the period January 20, 2009 through June 30, 2009.



Capital Assets

At June 30, 2009, ACCA had \$65,615 invested in furniture, equipment and lease-hold improvements. See Note 5 to the basic financial statements for detail on capital assets.

Current Financial Related Activities

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, 741 Winkler Dr, Wooster, Ohio 44691.

ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current assets:	
Cash and cash equivalents	\$ 33,427
Receivables:	
Accounts	4,340
Intergovernmental	7,641
Prepayments	1,223
Total current assets	<u>46,631</u>
Non-current assets:	
Capital assets, net.	<u>65,615</u>
Total assets	<u>112,246</u>
Liabilities:	
Current:	
Accounts payable	2,500
Intergovernmental payable	<u>163</u>
Total liabilities	<u>2,663</u>
Net Assets:	
Invested in capital assets	65,615
Restricted for:	
Federally funded programs	10,977
Unrestricted.	<u>32,991</u>
Total net assets	<u>\$ 109,583</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009

Operating revenues:	
State foundation	\$ 335,645
Charges for services	2,625
Other	<u>4,340</u>
Total operating revenues	<u>342,610</u>
Operating expenses:	
Purchased services	372,208
Materials and supplies	37,483
Depreciation	6,621
Other	<u>1,243</u>
Total operating expenses	<u>417,555</u>
Operating loss	<u>(74,945)</u>
Non-operating revenues:	
Federal grants	<u>143,551</u>
Total non-operating revenues	<u>143,551</u>
Change in net assets	68,606
Net assets at January 20, 2009	<u>40,977</u>
Net assets at June 30, 2009	<u><u>\$ 109,583</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009

Cash flows from operating activities:		
Cash received from State foundation.	\$	335,645
Cash received from charges for services		196,255
Cash received from other operations.		4,340
Cash payments to suppliers for goods and services		(607,460)
Cash payments for materials and supplies		(37,483)
Cash payments for other expenses		(1,243)
		<hr/>
Net cash used for operating activities		(109,946)
		<hr/>
Cash flows from noncapital financing activities:		
Federal grants.		135,910
		<hr/>
Net increase in cash and cash equivalents		25,964
Cash and cash equivalents		
at January 20, 2009		7,463
Cash and cash equivalents at June 30, 2009	\$	<u>33,427</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$	(74,945)
Adjustments:		
Depreciation.		6,621
Changes in assets and liabilities:		
Decrease in accounts receivable.		193,630
(Increase) in prepayments		(1,223)
(Decrease) in accounts payable.		(234,192)
Increase in intergovernmental payable		163
		<hr/>
Net cash used for operating activities	\$	<u>(109,946)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009

NOTE 1 - DESCRIPTION OF ACCA

The Ashland County Community Academy (“ACCA”) is a non-profit 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. ACCA is considered a component unit of the Tri-County Educational Service Center for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

On July 8, 2008, the Tri-County Educational Service Center (the “Sponsor”) accepted sponsorship of ACCA. ACCA became established as a non-profit corporation by the State of Ohio 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 are 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. ACCA has elected not to apply FASB Statements and Interpretations 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 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
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(CONTINUED)

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The 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.

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 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 Section 5705, unless specifically provided in their contract with their Sponsor. The contract between ACCA and its sponsor, the Tri-County Educational Service Center, does not prescribe a budgetary process for the school.

E. Cash

All monies received by ACCA are deposited in a demand deposit account.

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
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(CONTINUED)

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 through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for 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. State Foundation and Federal Grant Revenue

ACCA currently participates in the State foundation program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. ACCA also participates in the 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.

Except for State foundation 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 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. Federal grant revenue for the period January 20, 2009 through June 30, 2009 was \$143,551.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of ACCA. Charges for Services revenue represents fees charged to other school districts for students temporarily assigned to ACCA. 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
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(CONTINUED)

NOTE 3 - DEPOSITS

At June 30, 2009, the carrying amount of ACCA's deposits was \$33,427. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, ACCA's entire bank balance of \$121,593 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

NOTE 4 - RECEIVABLES

Receivables at June 30, 2009, consisted of accounts and intergovernmental receivables arising from grants and entitlements and charges for services. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
Title I	\$ 7,131
Improving teacher quality	448
Federal start up	<u>62</u>
Total intergovernmental receivables	<u>\$ 7,641</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the period January 20, 2009 through June 30, 2009 was as follows:

	<u>Balance</u> <u>January 20, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Furniture and equipment	\$ 53,856	\$ -	\$ -	\$ 53,856
Lease-hold improvements	\$ 18,380	\$ -	\$ -	18,380
Less: accumulated depreciation	<u>-</u>	<u>(6,621)</u>	<u>-</u>	<u>(6,621)</u>
Capital assets, net	<u>\$ 72,236</u>	<u>\$ (6,621)</u>	<u>\$ -</u>	<u>\$ 65,615</u>

NOTE 6 - 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 the period January 20, 2009 through June 30, 2009, ACCA was named on the Sponsor's policy for property and general liability insurance.

NOTE 7 - PURCHASED SERVICES

For the period January 20, 2009 through June 30, 2009, purchased services expenses were as follows:

Professional and technical services	\$ 339,571
Property services	9,813
Other purchased services	<u>22,824</u>
Total	<u>\$ 372,208</u>

**ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(CONTINUED)**

NOTE 8 - 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.

B. Service Contract

ACCA and the Sponsor have entered into a Special Services Contract commencing July 1, 2008 through June 30, 2009. The Sponsor shall serve as fiscal agent and pay all local expenses involved in ACCA programs including salary, fringe benefits, transportation allowance, office expenses, meeting expenses, supplies and equipment. In addition, the Sponsor shall pay other costs incurred in the operation of the programs including but not limited to: employment of staff as required by ACCA, complete payroll services and daily fiscal policies and procedures, health insurance, work study, and accounting services. During the period January 20, 2009 through June 30, 2009, ACCA paid the Sponsor \$143,896 for services under the contract.

ASHLAND COUNTY COMMUNITY ACADEMY
(A Component Unit of Tri-County Educational Service Center)
ASHLAND COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 20, 2009 THROUGH JUNE 30, 2009
(CONTINUED)

NOTE 9 - 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 term of the lease commenced July 1, 2008, and shall continue for a term of 36 months at a rate of \$2,400 per month. The Sponsor charges back ACCA for the lease payments incurred on its behalf.

NOTE 10 - CONTINGENCIES

A. Grants

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of ACCA at June 30, 2009.

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, 2009. ACCA does not anticipate any significant adjustments to State funding for fiscal year 2009, as a result of the reviews which have yet to be completed.

NOTE 11 - START-UP PERIOD

ACCA was established on January 20, 2009, as a non-profit corporation by the State of Ohio. During the ACCA's start-up period (April 1, 2008 through January 19, 2009), ACCA received \$7,463 in state foundation and \$15,000 in federal start-up grant revenue. Additionally, \$219,470 of charges for services revenue was earned for services provided by ACCA for students of other school districts. Of this \$219,470, \$197,970 was due to ACCA at January 20, 2009. The Sponsor incurred expenses of \$200,956 on ACCA's behalf for purchased services, materials and supplies. Capital assets in the amount of \$72,236 were invested in computers, equipment and lease-hold improvements. At January 20, 2009, \$236,692 was due from ACCA to its Sponsor, Tri-County Educational Service Center, for start-up expenses and capital asset purchases.

Net assets at the end of the start-up period consisted of the following:

Cash	\$ 7,463
Accounts Receivable	197,970
Capital assets	72,236
Due to primary government (Accounts Payable)	<u>(236,692)</u>
Total net assets at January 19, 2009	<u>\$ 40,977</u>



Mary Taylor, CPA

Auditor of State

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

Ashland County Community Academy
Ashland County
2011 Baney Road South
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) a component unit of Tri-County Educational Service Center, as of June 30, 2009 and for the period January 20, 2009 through June 30, 2009, and have issued our report thereon dated November 23, 2009. 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 expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also 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, 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*.

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.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 23, 2009

**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness:

Start-Up Period Disclosure

During the Academy's start-up period (prior to January 20, 2009), various expenses were incurred on the Academy's behalf by its sponsor, Tri-County Educational Service Center. Additionally, after January 20, 2009, the sponsor continued to incur various expenses and receive revenue on behalf of the Academy.

The January 20, 2009, beginning financial statement date and the complex relationship between the Academy and its sponsor made the compilation of the GAAP basis financial statements difficult. As such, certain transactions and the related amounts due to and from the sponsor and other parties were initially omitted and required adjustments which were posted to the Academy's financial statements. The Academy's future financial reports will report a full July 1 through June 30th fiscal year which should mitigate the complexity of the financial statement compilation process.

The following specific items were noted:

- Start-up period Accounts Payable were understated by \$12,266 and Net Assets, Unrestricted were overstated by an equal amount due to the Academy not recording amounts due to its sponsor for expenses made on the Academy's behalf during fiscal year 2008. Start-up period Accounts Receivable and Charges for Services were understated by \$197,970 due to the Academy not recording amounts received directly by its sponsor for services provided by the Academy.
- Start-up period Charges for Services and Purchased Services were understated by \$21,500 due to amounts received from third parties being offset against amounts due from the Academy to its sponsor.
- Report period Charges for Services and Purchased Services expense were understated by \$2,625 and \$198,861, respectively, and Materials and Supplies expense were overstated by \$10,531. These errors were related to the start-up period adjustments.

Management should review the draft journal entries and financial statements to ensure all of the Academy's revenue and expenses and related amounts due to or from its sponsor and other parties are included. Management should also ensure the financial statements are supported by sufficient and accurate documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response: The "Start-Up Period" of the Ashland County Community Academy (ACCA) was determined by the Auditor of State's office to be the period prior to January 19, 2009. The complexity of the calculations required to determine the net assets at the start-up period resulted in the adjustments proposed by the Auditor of State's office. The "Start-Up Period" will only occur in the ACCA's first year of operation; therefore, these adjustments will have no affect on the future reporting of ACCA's financial statements.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Ashland County Community Academy
Ashland County
2011 Baney Road South
Ashland, Ohio 44805

To the Board of Directors:

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

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

1. We noted Ashland County Community Academy did not have its own policies and procedures. However, the Academy's management asserted they adhere to the policies and procedures of their Sponsor, the Tri-County Educational Service Center's (the ESC). The ESC's Board adopted an anti-harassment policy at its meeting on January 8, 2008. The Academy's board should formally adopt the policies and procedures of ESC if this is their intention.
2. Since the Academy's management asserted they adhere to Tri-County Educational Service Center's policies, we read the ESC's anti-harassment policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
3. We read the Tri-County Educational Service Center's policy, noting it excluded the following requirements from Ohio Rev. Code Section 3313.666(B):
- (1) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (2) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

November 23, 2009



Mary Taylor, CPA
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
JANUARY 5, 2010