



OHIO AUDITOR OF STATE
KEITH FABER



**ASHLAND COUNTY COMMUNITY ACADEMY
ASHLAND COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the Ashland County Community Academy, Ashland County, Ohio (ACCA), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise ACCA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ashland County Community Academy, Ashland County, Ohio, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2021, on our consideration of ACCA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACCA's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 24, 2021

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020. 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 2020 are as follows:

- In total, net position was \$334,777 at June 30, 2020.
- ACCA had operating revenues of \$725,062, operating expenses of \$778,989, and nonoperating revenues of \$159,097 for fiscal year 2020. The total change in net position for the fiscal year was an increase of \$105,170.

Using the Basic Financial Statements

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

Reporting ACCA's Financial Activities

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did ACCA do financially during fiscal year 2020?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how ACCA finances and meets the cash flow needs of its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below provides a summary of ACCA's net position at June 30, 2020 and June 30, 2019.

| | Net Position | |
|--|---------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Assets</u> | | |
| Current assets | \$ 317,046 | \$ 232,966 |
| Capital assets, net | <u>18,253</u> | <u>8,172</u> |
| Total assets | <u>335,299</u> | <u>241,138</u> |
| <u>Deferred outflows of resources</u> | <u>53,972</u> | <u>-</u> |
| <u>Liabilities</u> | | |
| Current liabilities | <u>54,494</u> | <u>11,531</u> |
| Total liabilities | <u>54,494</u> | <u>11,531</u> |
| <u>Net Position</u> | | |
| Investment in capital assets | 18,253 | 8,172 |
| Restricted | 24,723 | 34,678 |
| Unrestricted | <u>291,801</u> | <u>186,757</u> |
| Total net position | <u>\$ 334,777</u> | <u>\$ 229,607</u> |

At June 30, 2020, total assets increased \$94,161 or 39.05%. The asset with the most significant increase from 2019 was cash and cash equivalents. This was due to an increase in overall revenue for 2020 when compared to 2019 and a decrease in expenses between 2020 and 2019. Revenues increased due to an increase in enrollment. In 2019, most of ACCA's expenses were purchased services, primarily from the Tri-County Educational Service Center (ESC). In 2020, ACCA began to employ its own staff and the amount of purchased services decreased significantly.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, ACCA's net position totaled \$334,777.

At year end, capital assets represented 5.45% of total assets. Capital assets consisted of furniture and equipment and lease-hold improvements. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

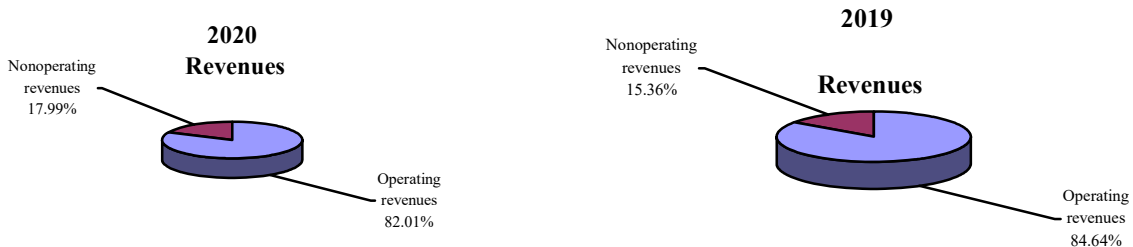
The table below shows the changes in net position for fiscal years 2020 and 2019.

Change in Net Position

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------------|-------------------|
| <u>Revenues:</u> | | |
| Operating revenues: | | |
| State foundation | \$ 721,344 | \$ 641,186 |
| Other | <u>3,718</u> | <u>4,796</u> |
| Total operating revenues | <u>725,062</u> | <u>645,982</u> |
| Non-operating revenues: | | |
| State and Federal grants | 156,052 | 110,297 |
| Interest revenue | <u>3,045</u> | <u>6,904</u> |
| Total non-operating revenues | <u>159,097</u> | <u>117,201</u> |
| Total revenues | <u>884,159</u> | <u>763,183</u> |
| <u>Expenses:</u> | | |
| Operating expenses: | | |
| Salaries and wages | 383,279 | - |
| Fringe benefits | 58,467 | - |
| Purchased services | 229,698 | 1,025,609 |
| Materials and supplies | 49,038 | 37,442 |
| Depreciation | 2,772 | 4,899 |
| Other | <u>55,735</u> | <u>17,605</u> |
| Total expenses | <u>778,989</u> | <u>1,085,555</u> |
| Change in net position | 105,170 | (322,372) |
| Net position at beginning of year | <u>229,607</u> | <u>551,979</u> |
| Net position at end of year | <u>\$ 334,777</u> | <u>\$ 229,607</u> |

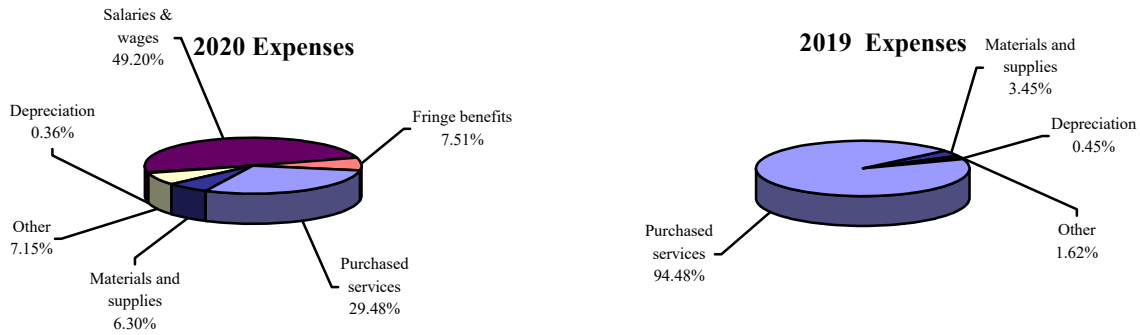
During fiscal year 2020, overall operating revenues increased \$79,080 or 12.25% primarily due to an increase in foundation revenue received from the State. Overall operating expenses decreased \$306,566 or 28.24%, which is due to a decrease in purchased services. ACCA began paying for salaries and wages and fringe benefits directly in fiscal year 2020. Previously those expenses were purchased from the Tri-County ESC and were recorded as purchased services.

The charts below illustrate the revenues and expenses for ACCA during fiscal years 2020 and 2019.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



Capital Assets

At June 30, 2020, ACCA had \$18,253 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 the Ohio Department of Education Office of School Sponsorship. 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 James Hudson, Treasurer, Ashland County Community Academy, 716 Union Street, Ashland, Ohio 44805.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION
JUNE 30, 2020

| | |
|--|------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 285,091 |
| Receivables: | |
| Intergovernmental | 27,650 |
| Prepayments | 4,305 |
| Total current assets | 317,046 |
| Non-current assets: | |
| Capital assets, net | 18,253 |
| Total assets | 335,299 |
| Deferred outflows of resources: | |
| Pension | 53,827 |
| OPEB | 145 |
| Total deferred outflows of resources | 53,972 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 2,385 |
| Accrued wages and benefits | 44,466 |
| Intergovernmental payable | 7,643 |
| Total liabilities | 54,494 |
| Net position: | |
| Investment in capital assets | 18,253 |
| Restricted for: | |
| Public school support | 368 |
| Locally funded programs | 59 |
| State funded programs | 16,175 |
| Federally funded programs | 8,121 |
| Unrestricted | 291,801 |
| Total net position | \$ 334,777 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | |
|---|------------------------------|
| Operating revenues: | |
| State foundation | \$ 721,344 |
| Other | 3,718 |
| Total operating revenues | <u>725,062</u> |
| Operating expenses: | |
| Salaries and wages. | 383,279 |
| Fringe benefits. | 58,467 |
| Purchased services. | 229,698 |
| Materials and supplies | 49,038 |
| Other. | 55,735 |
| Depreciation | 2,772 |
| Total operating expenses. | <u>778,989</u> |
| Operating loss | <u>(53,927)</u> |
| Non-operating revenues: | |
| State and Federal grants. | 156,052 |
| Interest revenue | 3,045 |
| Total non-operating revenues | <u>159,097</u> |
| Change in net position | 105,170 |
| Net position at beginning of year. | <u>229,607</u> |
| Net position at end of year | <u><u>\$ 334,777</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Cash received from state foundation | \$ 741,208 |
| Cash received from other operations | 3,718 |
| Cash payments for salaries and wages. | (341,041) |
| Cash payments for fringe benefits | (107,125) |
| Cash payments for contractual services | (239,096) |
| Cash payments for materials and supplies | (48,534) |
| Cash payments for other expenses | (55,735) |
| | (46,605) |
| Net cash used in operating activities | (46,605) |
| Cash flows from noncapital financing activities: | |
| Cash received from grants and subsidies. | 140,818 |
| | 140,818 |
| Net cash provided by noncapital financing activities. | 140,818 |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (12,853) |
| | (12,853) |
| Net cash used in capital and related financing activities. | (12,853) |
| Cash flows from investing activities: | |
| Interest received | 3,045 |
| | 3,045 |
| Net cash provided by investing activities | 3,045 |
| Net increase in cash and cash cash equivalents | 84,405 |
| Cash and cash equivalents at beginning of year | 200,686 |
| Cash and cash equivalents at end of year | \$ 285,091 |
| | 285,091 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (53,927) |
| Adjustments: | |
| Depreciation | 2,772 |
| Changes in assets and liabilities: | |
| Decrease in intergovernmental receivable. | 19,864 |
| (Increase) in prepayments | (4,305) |
| (Increase) in deferred outflows - pension. | (53,827) |
| (Increase) in deferred outflows - OPEB. | (145) |
| Increase in accounts payable | 1,871 |
| Increase in accrued wages and benefits | 44,466 |
| (Decrease) in intergovernmental payable | (3,374) |
| | (46,605) |
| Net cash used in operating activities | \$ (46,605) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF ACCA

The Ashland County Community Academy (“ACCA”) is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314.02 and 3314.03 to develop a conversion school alternative educational program for academically at-risk area high school age students, including but not limited to special needs students. ACCA, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. ACCA may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of ACCA. Management is not aware of any course of action or series of events that have occurred that might adversely affect ACCA’s tax-exempt status

As of January 1, 2019, the Ohio Department of Education (ODE) sponsors ACCA through the Office of School Sponsorship (the “Sponsor”). This sponsorship agreement expires on June 30, 2021. The Sponsor is responsible for evaluating the performance of ACCA and has the authority to deny renewal of the contract at its expiration. The Board of Directors is responsible for the operations of ACCA.

ACCA operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards and admission standards. The Board of Directors controls ACCA’s instructional/support facility staffed by a one full time equivalent (FTE) Director, one full time assistant director/teacher four FTE certificated teaching personnel and two FTE non-certified staff members who provide services to approximately 100 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

Nonexchange transactions, in which ACCA receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which ACCA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to ACCA on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

D. Budgetary Process

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

E. Cash and Investments

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

ACCA has invested funds in STAR Ohio during fiscal year 2020. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." ACCA measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

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

F. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition value on the date donated. ACCA maintains a capitalization threshold of \$1,000. ACCA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Lease-hold improvements are depreciated over the shorter of useful lives of the related capital assets or the lease period. Furniture and equipment are depreciated over 5-15 years. Depreciation is computed using the straight-line method.

G. Net Position

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

H. Prepayments

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

I. Intergovernmental Revenues

ACCA currently participates in the State foundation program and the State of Ohio Educational Management Information System grant. ACCA also participates in Federal grant programs including, but not limited to, IDEA-Part B, Title I and Supporting Effective Instruction. 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 2020 totaled \$721,344 and is recognized as operating revenue.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which all eligibility requirements, as described in Note 2.C, have been met. State and Federal grant revenue for fiscal year 2020 totaled \$156,052.

J. Operating Revenues and Expenses

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

K. Estimates

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

L. Fair Value

ACCA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

M. Deferred Outflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2020, the ACCA has implemented GASB Statement No. 84, “*Fiduciary Activities*” and GASB Statement No. 90, “*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the ACCA.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the ACCA.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of ACCA’s deposits was \$47,440. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2020, ACCA’s entire bank balance of \$55,620 was covered by the Federal Deposit Insurance Corporation (FDIC).

B. Investments

At June 30, 2020, ACCA had the following investment and maturity:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>Maturity 6 months or less</u> |
|---|------------------------------|--|
| Amortized cost: | | |
| STAR Ohio | \$ 237,651 | \$ 237,651 |

The ACCA’s investments in STAR Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 inputs).

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: ACCA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by ACCA at June 30, 2020:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>% of Total</u> |
|---|------------------------------|-------------------|
| Amortized cost: | | |
| STAR Ohio | \$ 237,651 | 100.00 |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position at June 30, 2020:

| | |
|---|-------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 47,440 |
| Investments | <u>237,651</u> |
| Total | <u>\$ 285,091</u> |
| <u>Cash and investments per statement of net position</u> | |
| Business-type activities | <u>\$ 285,091</u> |

NOTE 5 - RECEIVABLES

Receivables at June 30, 2020 consisted of intergovernmental receivable in the amount of \$27,650. Receivables are disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

| | <u>Balance July 1, 2019</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance June 30, 2020</u> |
|--------------------------------|---------------------------------|------------------|------------------|----------------------------------|
| Furniture and equipment | \$ 71,453 | \$ 12,853 | \$ - | \$ 84,306 |
| Lease-hold improvements | 32,542 | - | - | 32,542 |
| Less: accumulated depreciation | | | | |
| Furniture and equipment | (63,475) | (2,578) | - | (66,053) |
| Lease hold improvements | <u>(32,348)</u> | <u>(194)</u> | <u>-</u> | <u>(32,542)</u> |
| Capital assets, net | <u>\$ 8,172</u> | <u>\$ 10,081</u> | <u>\$ -</u> | <u>\$ 18,253</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020, ACCA is a member of the Schools of Ohio Risk Sharing Authority (SORSA) consortium to provide its property and general liability insurance (See Note 13).

ACCA pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2020, purchased services expenses were as follows:

| | |
|-------------------------------------|-------------------|
| Professional and technical services | \$ 93,122 |
| Property services | 96,341 |
| Utilities | 13,190 |
| Other purchased services | <u>27,045</u> |
| Total | <u>\$ 229,698</u> |

NOTE 9 - SPONSOR CONTRACT

ACCA has entered into a contract commencing on January 1, 2019 and continuing through June 30, 2021 with the Ohio Department of Education (ODE) Office of School Sponsorship (the "Sponsor"). The Sponsor shall carry out the responsibilities established by law. ACCA shall pay the Sponsor a fee of three percent of the total amount of payments for operating expenses received each year by ACCA from the State of Ohio. ACCA paid ODE \$20,805 in sponsorship fees for fiscal year 2020.

NOTE 10 - EMPLOYEE BENEFITS

ACCA has contracted through an independent agent to provide employee medical insurance to its full-time employees. ACCA pays 85 percent and the employee pays 15 percent of the monthly premiums for all selected coverage.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - OPERATING LEASE

On August 31, 2018, ACCA entered into a 120-month lease agreement with Enterprise Parkway Leasing, Ltd. for classroom space. The lease began on September 1, 2018 and is scheduled to terminate on August 31, 2028. Monthly payments for this lease agreement are \$6,210. Additional space has been made available for ACCA's use, at no charge, until July 31, 2019. On August 1, 2019, the additional space will be added to the lease and the monthly payments become \$7,210. Should ACCA vacate the additional space at any time during the lease, monthly payments for the remainder of the lease will be \$6,365. ACCA makes payments related to the lease agreement directly to the leasing company.

A schedule of the future lease payments required under the operating lease at June 30, 2020 follows:

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Amount</u> |
|--|-------------------|
| 2021 | \$ 86,520 |
| 2022 | 86,520 |
| 2023 | 86,520 |
| 2024 | 86,520 |
| 2025 | 86,520 |
| 2026 - 2029 | <u>266,770</u> |
| Total payments | <u>\$ 699,370</u> |

NOTE 12 - CONTINGENCIES

A. Grants

ACCA received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of ACCA. However, the effect of any such disallowed claims on the overall financial position of ACCA at June 30, 2020, if applicable, cannot be determined at this time.

B. Litigation

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

C. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - CONTINGENCIES - (Continued)

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on ACCA for fiscal year 2020.

As of the date of this report, the ODE adjustments for fiscal year 2020 are finalized. As a result, the impact of the FTE adjustments on the fiscal year 2020 financial statements resulted in a \$4,675 receivable for ACCA.

NOTE 13 - PUBLIC ENTITY RISK POOL

Schools of Ohio Risk Sharing Authority

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

Plan Description - ACCA non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | Age 65 with 5 years of services credit: or Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

ACCA's contractually required contribution to SERS was \$12,882 for fiscal year 2020. Of this amount, \$1,291 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. ACCA was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

ACCA's contractually required contribution to STRS was \$40,945 for fiscal year 2020. Of this amount, \$5,350 is reported as intergovernmental payable.

Deferred Outflows of Resources Related to Pensions

At June 30, 2020, ACCA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|--|------------------|------------------|------------------|
| Deferred outflows of resources | | | |
| Contributions subsequent to the measurement date | <u>\$ 12,882</u> | <u>\$ 40,945</u> | <u>\$ 53,827</u> |

\$53,827 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - ACCA contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the ACCA's surcharge obligation was \$145.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. ACCA's contractually required contribution to SERS was \$145 for fiscal year 2020. Of this amount, \$145 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Deferred Outflows of Resources Related to OPEB

At June 30, 2020, ACCA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>SERS</u> |
|--|---------------|
| Deferred outflows of resources | |
| Contributions subsequent to the measurement date | \$ <u>145</u> |

\$145 reported as deferred outflows of resources related to OPEB resulting from ACCA contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021.

NOTE 16 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the ACCA. The investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on ACCA's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACCA PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

THIS FISCAL YEAR

| | <u>2020</u> |
|---|-----------------|
| Contractually required contribution | \$ 12,882 |
| Contributions in relation to the contractually required contribution | <u>(12,882)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| ACCA's covered payroll | \$ 92,014 |
| Contributions as a percentage of covered payroll | 14.00% |

Note: ACCA did not have payroll prior to fiscal year 2020.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACCA PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

THIS FISCAL YEAR

| | <u>2020</u> |
|--|-----------------|
| Contractually required contribution | \$ 40,945 |
| Contributions in relation to the contractually required contribution | <u>(40,945)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| ACCA's covered payroll | \$ 292,464 |
| Contributions as a percentage of covered payroll | 14.00% |

Note: ACCA did not have payroll prior to fiscal year 2020.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACCA OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

THIS FISCAL YEAR

| | <u>2020</u> |
|--|--------------|
| Contractually required contribution | \$ 145 |
| Contributions in relation to the contractually required contribution | <u>(145)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| ACCA's covered payroll | \$ 92,014 |
| Contributions as a percentage of covered payroll | 0.16% |

Note: ACCA did not have payroll prior to fiscal year 2020.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACCA OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

THIS FISCAL YEAR

| | <u>2020</u> |
|---|-------------|
| Contractually required contribution | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| ACCA's covered payroll | \$ 292,464 |
| Contributions as a percentage of covered payroll | 0.00% |

Note: ACCA did not have payroll prior to fiscal year 2020.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019. 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 2019 are as follows:

- In total, net position was \$229,607 at June 30, 2019.
- ACCA had operating revenues of \$645,982, operating expenses of \$1,085,555, and nonoperating revenues of \$117,201 for fiscal year 2019. The total change in net position for the fiscal year was a decrease of \$322,372.

Using the Basic Financial Statements

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

Reporting ACCA's Financial Activities

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did ACCA do financially during fiscal year 2019?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-18 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table below provides a summary of ACCA's net position at June 30, 2019 and June 30, 2018.

| Net Position | | |
|------------------------------|-------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| <u>Assets</u> | | |
| Current assets | \$ 232,966 | \$ 547,884 |
| Capital assets, net | <u>8,172</u> | <u>8,405</u> |
| Total assets | <u>241,138</u> | <u>556,289</u> |
| <u>Liabilities</u> | | |
| Current liabilities | <u>11,531</u> | <u>4,310</u> |
| Total liabilities | <u>11,531</u> | <u>4,310</u> |
| <u>Net Position</u> | | |
| Investment in capital assets | 8,172 | 8,405 |
| Restricted | 34,678 | 8,378 |
| Unrestricted | <u>186,757</u> | <u>535,196</u> |
| Total net position | <u>\$ 229,607</u> | <u>\$ 551,979</u> |

At June 30, 2019, total assets decreased \$315,151 or 56.66%. The asset with the most significant decrease from 2018 was cash and cash equivalents. This was due to a slight decrease in overall revenue for 2019 when compared to 2018 and an increase in expenses between 2019 and 2018. Most of ACCA's expenses are purchased services, primarily from the Tri-County Educational Service Center (ESC).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, ACCA's net position totaled \$229,607.

At year end, capital assets represented 3.39% of total assets. Capital assets consisted of furniture and equipment and lease-hold improvements. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

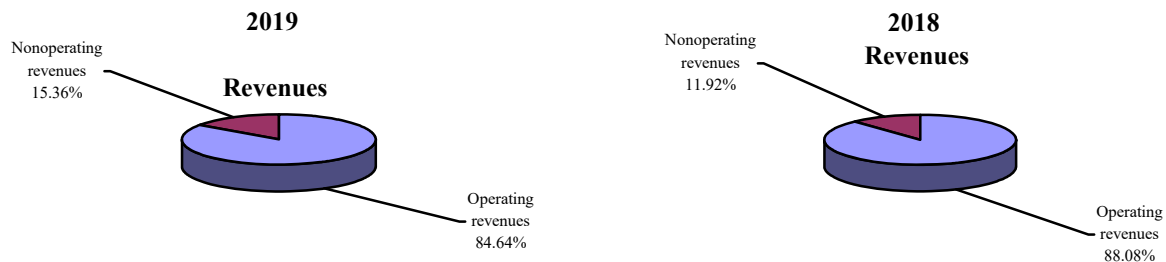
The table below shows the changes in net position for fiscal years 2019 and 2018.

Change in Net Position

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------------|-------------------|
| <u>Revenues:</u> | | |
| Operating revenues: | | |
| State foundation | \$ 641,186 | \$ 670,036 |
| Other | <u>4,796</u> | <u>3,285</u> |
| Total operating revenues | <u>645,982</u> | <u>673,321</u> |
| Non-operating revenues: | | |
| State and Federal grants | 110,297 | 84,241 |
| Interest revenue | <u>6,904</u> | <u>6,891</u> |
| Total non-operating revenues | <u>117,201</u> | <u>91,132</u> |
| Total revenues | <u>763,183</u> | <u>764,453</u> |
| <u>Expenses:</u> | | |
| Operating expenses: | | |
| Purchased services | 1,025,609 | 868,547 |
| Materials and supplies | 37,442 | 13,299 |
| Depreciation | 4,899 | 8,172 |
| Other | <u>17,605</u> | <u>3,114</u> |
| Total expenses | <u>1,085,555</u> | <u>893,132</u> |
| Change in net position | (322,372) | (128,679) |
| Net position at beginning of year | <u>551,979</u> | <u>680,658</u> |
| Net position at end of year | <u>\$ 229,607</u> | <u>\$ 551,979</u> |

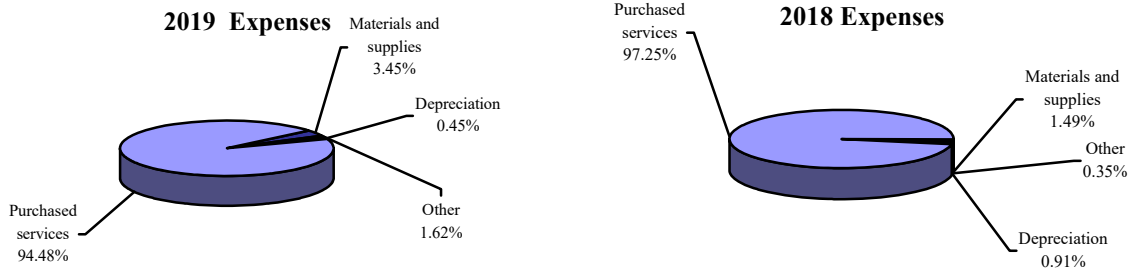
During fiscal year 2019, overall operating revenues decreased \$27,339 or 4.06% primarily due to a decrease in foundation revenue received from the State. Overall operating expenses increased \$192,423 or 21.55%, which is due to an increase in purchased services.

The charts below illustrate the revenues and expenses for ACCA during fiscal years 2019 and 2018.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**



Capital Assets

At June 30, 2019, ACCA had \$8,172 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 the Ohio Department of Education Office of School Sponsorship. 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 James Hudson, Treasurer, Ashland County Community Academy, 716 Union Street, Ashland, Ohio 44805.

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

STATEMENT OF NET POSITION
JUNE 30, 2019

| | |
|---------------------------------------|-------------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 200,686 |
| Receivables: | |
| Intergovernmental. | <u>32,280</u> |
| Total current assets | <u>232,966</u> |
| Non-current assets: | |
| Capital assets, net | <u>8,172</u> |
| Total assets. | <u>241,138</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable. | 514 |
| Intergovernmental payable | <u>11,017</u> |
| Total liabilities | <u>11,531</u> |
| Net position: | |
| Investment in capital assets. | 8,172 |
| Restricted for: | |
| Public school support | 435 |
| Locally funded programs. | 59 |
| State funded programs. | 9,204 |
| Federally funded programs | 24,980 |
| Unrestricted. | <u>186,757</u> |
| Total net position. | <u>\$ 229,607</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|-----------------------|
| Operating revenues: | |
| State foundation | \$ 641,186 |
| Other | 4,796 |
| Total operating revenues | <u>645,982</u> |
| Operating expenses: | |
| Purchased services. | 1,025,609 |
| Materials and supplies | 37,442 |
| Other. | 17,605 |
| Depreciation | 4,899 |
| Total operating expenses. | <u>1,085,555</u> |
| Operating loss | <u>(439,573)</u> |
| Non-operating revenues: | |
| State and Federal grants. | 110,297 |
| Interest revenue | 6,904 |
| Total non-operating revenues | <u>117,201</u> |
| Change in net position | (322,372) |
| Net position at beginning of year. | <u>551,979</u> |
| Net position at end of year | <u>\$ 229,607</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Cash received from state foundation | \$ 616,647 |
| Cash received from other operations | 4,796 |
| Cash payments for contractual services | (1,018,378) |
| Cash payments for materials and supplies | (37,452) |
| Cash payments for other expenses | (17,605) |
| | (451,992) |
| Net cash used in operating activities | (451,992) |
| Cash flows from noncapital financing activities: | |
| Cash received from grants and subsidies. | 112,079 |
| | 112,079 |
| Net cash provided by noncapital financing activities. | 112,079 |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (4,666) |
| | (4,666) |
| Net cash used in capital and related financing activities. | (4,666) |
| Cash flows from investing activities: | |
| Interest received | 6,904 |
| | 6,904 |
| Net cash provided by investing activities | 6,904 |
| Net decrease in cash and cash equivalents | (337,675) |
| Cash and cash equivalents at beginning of year | 538,361 |
| Cash and cash equivalents at end of year | \$ 200,686 |
| | 200,686 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (439,573) |
| Adjustments: | |
| Depreciation | 4,899 |
| Changes in assets and liabilities: | |
| (Increase) in intergovernmental receivable. | (24,539) |
| Increase in accounts payable | 504 |
| Increase in intergovernmental payable | 6,717 |
| | 6,717 |
| Net cash used in operating activities | \$ (451,992) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF ACCA

The Ashland County Community Academy (“ACCA”) is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314.02 and 3314.03 to develop a conversion school alternative educational program for academically at-risk area high school age students, including but not limited to special needs students. ACCA, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. ACCA may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of ACCA. Management is not aware of any course of action or series of events that have occurred that might adversely affect ACCA’s tax-exempt status

As of January 1, 2019, the Ohio Department of Education (ODE) sponsors ACCA through the Office of School Sponsorship (the “Sponsor”). This sponsorship agreement expires on June 30, 2021. The Sponsor is responsible for evaluating the performance of ACCA and has the authority to deny renewal of the contract at its expiration. The Board of Directors is responsible for the operations of ACCA.

ACCA operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards and admission standards. The Board of Directors controls ACCA’s instructional/support facility staffed by a one full time equivalent (FTE) Director, five FTE certificated teaching personnel and three FTE non-certified staff members who provide services to approximately 90 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

Nonexchange transactions, in which ACCA receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which ACCA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to ACCA on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

D. Budgetary Process

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

E. Cash and Investments

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

ACCA has invested funds in STAR Ohio during fiscal year 2019. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

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

F. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition value on the date donated. ACCA maintains a capitalization threshold of \$1,000. ACCA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Lease-hold improvements are depreciated over the shorter of useful lives of the related capital assets or the lease period. Furniture and equipment are depreciated over 5-15 years. Depreciation is computed using the straight-line method.

G. Net Position

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

H. Prepayments

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

I. Intergovernmental Revenues

ACCA currently participates in the State foundation program and the State of Ohio Educational Management Information System grant. ACCA also participates in Federal grant programs including IDEA-Part B, Title I and Improving Teacher Quality. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year. State foundation revenue for fiscal year 2019 totaled \$641,186 and is recognized as operating revenue.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which all eligibility requirements, as described in Note 2.C, have been met. State and Federal grant revenue for fiscal year 2019 totaled \$110,297.

J. Operating Revenues and Expenses

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

K. Estimates

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

L. Fair Value

ACCA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the ACCA has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the ACCA.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the ACCA.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of ACCA’s deposits was \$120,080. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2019, ACCA’s entire bank balance of \$133,137 was covered by the Federal Deposit Insurance Corporation (FDIC).

B. Investments

At June 30, 2019, ACCA had the following investment and maturity:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>Maturity 6 months or less</u> |
|---|------------------------------|--|
| Amortized cost: | | |
| STAR Ohio | \$ 80,606 | \$ 80,606 |

The ACCA’s investments in STAR Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 inputs).

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: ACCA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by ACCA at June 30, 2019:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>% of Total</u> |
|---|------------------------------|-------------------|
| Amortized cost: | | |
| STAR Ohio | <u>\$ 80,606</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position at June 30, 2019:

| | |
|---|-------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 120,080 |
| Investments | <u>80,606</u> |
| Total | <u>\$ 200,686</u> |
| <u>Cash and investments per statement of net position</u> | |
| Business-type activities | <u>\$ 200,686</u> |

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019 consisted of intergovernmental receivable in the amount of \$32,280. Receivables are disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

| | <u>Balance July 1, 2018</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance June 30, 2019</u> |
|--------------------------------|---------------------------------|------------------|------------------|----------------------------------|
| Furniture and equipment | \$ 66,787 | \$ 4,666 | \$ - | \$ 71,453 |
| Lease-hold improvements | 32,542 | - | - | 32,542 |
| Less: accumulated depreciation | | | | |
| Furniture and equipment | (62,028) | (1,447) | - | (63,475) |
| Lease hold improvements | <u>(28,896)</u> | <u>(3,452)</u> | - | <u>(32,348)</u> |
| Capital assets, net | <u>\$ 8,405</u> | <u>\$ (233)</u> | <u>\$ -</u> | <u>\$ 8,172</u> |

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019, ACCA is a member of the Schools of Ohio Risk Sharing Authority (SORSA) consortium to provide its property and general liability insurance (See Note 12).

NOTE 8 - PURCHASED SERVICES

For the fiscal year ended June 30, 2019, purchased services expenses were as follows:

| | |
|-------------------------------------|---------------------|
| Professional and technical services | \$ 828,537 |
| Property services | 112,413 |
| Other purchased services | <u>84,659</u> |
| Total | <u>\$ 1,025,609</u> |

NOTE 9 - CONTRACTS

A. Sponsor Contract

ACCA has entered into a contract commencing on January 1, 2019 and continuing through June 30, 2021 with the Ohio Department of Education (ODE) Office of School Sponsorship (the "Sponsor"). The Sponsor shall carry out the responsibilities established by law. ACCA shall pay the Sponsor a fee of three percent of the total amount of payments for operating expenses received each year by ACCA from the State of Ohio. ACCA paid ODE \$8,868 in sponsorship fees for fiscal year 2019.

B. Special Services and Employment Services Contracts

ACCA and the Tri-County Educational Service Center (ESC) have entered into a Special Services Contract and an Employment Services Contract commencing August 1, 2014 through July 31, 2015. The aforementioned contracts were amended to commence January 31, 2016 and end July 31, 2026. The ESC 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 ESC the actual costs for providing the services. ACCA's payments to the ESC for fiscal year 2019 were as follows:

| | |
|---------------------------|-------------------|
| Instructional | \$ 423,207 |
| Student and staff support | 47,743 |
| Administrative | <u>240,630</u> |
| Total | <u>\$ 711,580</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - OPERATING LEASE

On August 31, 2018, ACCA entered into a 120-month lease agreement with Enterprise Parkway Leasing, Ltd. for classroom space. The lease began on September 1, 2018 and is scheduled to terminate on August 31, 2028. Monthly payments for this lease agreement are \$6,210. Additional space has been made available for ACCA's use, at no charge, until July 31, 2019. On August 1, 2019, the additional space will be added to the lease and the monthly payments become \$7,210. Should ACCA vacate the additional space at any time during the lease, monthly payments for the remainder of the lease will be \$6,365. ACCA makes payments related to the lease agreement directly to the leasing company.

A schedule of the future lease payments required under the operating lease at June 30, 2019 follows:

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Amount</u> |
|--|-------------------|
| 2020 | \$ 85,520 |
| 2021 | 86,520 |
| 2022 | 86,520 |
| 2023 | 86,520 |
| 2024 | 86,520 |
| 2025-2029 | <u>353,290</u> |
| Total payments | <u>\$ 784,890</u> |

NOTE 11 - CONTINGENCIES

A. Grants

ACCA received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of ACCA. However, the effect of any such disallowed claims on the overall financial position of ACCA at June 30, 2019, if applicable, cannot be determined at this time.

B. Litigation

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

C. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 11 - CONTINGENCIES - (Continued)

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2019.

As of the date of this report, the ODE adjustments for fiscal year 2019 are finalized. As a result, the impact of the FTE adjustments on the fiscal year 2019 financial statements resulted in a \$24,539 receivable for the School.

NOTE 12 - PUBLIC ENTITY RISK POOL

Schools of Ohio Risk Sharing Authority

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

NOTE 13 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the ACCA. The investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on ACCA's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements the Ashland County Community Academy, Ashland County (ACCA) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise ACCA's basic financial statements and have issued our report thereon dated August 24, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of ACCA.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether ACCA'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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 24, 2021

**ASHLAND COUNTY COMMUNITY ACADEMY
176 UNION STREET
ASHLAND, OHIO 44805**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020 AND 2019**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|---------------------|-------------------------------|
| 2018-001 | Student FTE Reporting - § 3314.08 (H)(2) | Corrected | |
| 2018-002 | Proof of Residency – ORC § 3314.11(A) | Partially Corrected | Reissued in Management letter |

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OHIO AUDITOR OF STATE KEITH FABER



ASHLAND COUNTY COMMUNITY ACADEMY

ASHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/16/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov