



Dave Yost • Auditor of State

STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Steve Sanders Academy of Ohio
Cuyahoga County
40 Hill Road South
Pickerington, Ohio 43147

To the Sponsor:

Report on the Financial Statement

We have audited the accompanying financial statement of the Steve Sanders Academy of Ohio, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is free from material misstatement.

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

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 2A of the financial statement, the Academy prepared this financial statement using a cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires this statement to follow accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statement does not present fairly the financial position, results of operations, and cash flows of the Steve Sanders Academy of Ohio, Cuyahoga County, Ohio, as of and for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statement, the Academy suspended operations on August 7, 2012 and was subsequently closed by the Sponsor on February 14, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Academy also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 1, 2014

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE
IN FUND BALANCE (CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Foundation Receipts	\$ 11,528
Total Operating Cash Receipts	11,528
Operating Cash Disbursements	
Salaries	20,260
Employee Fringe Benefits	5,191
Purchased and Contracted Services	72,927
Supplies and Materials	459
Other	17,815
Total Operating Cash Disbursements	116,652
Operating Loss	(105,124)
Non-Operating Receipts (Disbursements)	
Federal and State Grants	17,086
Sale of Capital Assets	16,945
Refund of Prior Year Expenditure	328
Redemption of Principal	(24,178)
Total Non-Operating Receipts (Disbursements)	10,181
Net Change in Fund Cash Balance	(94,943)
Fund Cash Balance, January 1	111,950
Fund Cash Balance, December 31	\$ 17,007

The notes to the financial statement are an integral part of this statement

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**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Steve Sanders Academy of Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy specializes in providing an educational program, to grades kindergarten through eighth, which allows its students to dream, set goals, and become empowered with the tools that ensure higher educational achievement and a vision of educational success. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

On May 15, 2011, the Academy, was approved under contract with St. Aloysius Orphanage (the "Sponsor") commencing on July 1, 2011 and ending on June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. As mentioned in Note 11, the Academy closed as of February 14, 2014.

The Academy is located in Cleveland, Ohio, Cuyahoga County. The Academy operates under the direction of a five-member Governing Authority. New members of the Governing Authority are voted on by the existing members of the Governing Authority. The Governing Authority is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers who provide services to 99 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code section 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the Academy chooses to prepare its financial statement and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

B. Budgetary Process

Unlike traditional public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis.

C. Cash

During the period ended June 30, 2013, all monies received by the Academy were accounted for by the Academy's fiscal agent, Charter School Specialists. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. The Academy did not have any investments during fiscal year 2013.

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement under the cash basis of accounting. Depreciation has not been reported for any capital assets. All capital assets were liquidated at auction on August 31, 2012. The proceeds of the auction are reported on the accompanying financial statement as Sale of Capital Assets, totaling \$16,945.

E. Intergovernmental Revenues

The Academy participates in the State Foundation Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2013 school year totaled \$11,528.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue received during fiscal year 2013 was \$17,086.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting these definitions are reported as non-operating.

NOTE 3 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2013, the carrying amount and bank balance of the Academy's deposits was \$17,007. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 4 - LINE OF CREDIT

During fiscal year 2012, the Academy borrowed \$48,264, through a line of credit from GEMS Americas, Inc., a Delaware corporation (GEMS). This line of credit was established to cover operating expenses of the Academy. The following activity occurred on the line of credit during fiscal year 2013:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2013</u>
Line of credit	\$ 48,264	\$ -	\$ (24,178)	\$ 24,086

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 - LINE OF CREDIT (Continued)

During fiscal year 2012, the Academy negotiated with GEMS for management services, including terms of the line of credit. However, a final agreement between GEMS and Steve Sanders Academy of Ohio was not agreed upon, and as a result, the line of credit was terminated. The line of credit became payable immediately.

NOTE 5 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate, currently 14 percent of annual covered payroll. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively with the remainder being used to fund healthcare benefits. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System.. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013 and 2012 were \$273 and \$4,714 respectively and 100 percent has been contributed for both fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St. Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 5 - PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013 and 2012 were \$3,003 and \$17,680, respectively and 100 percent has been contributed for both fiscal years.

NOTE 6 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The Academy's required contribution for the years ended June 30, 2013 and 2012 were \$15 and \$278, respectively and 100 percent has been contributed for both fiscal years.

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 6 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The Academy's contributions for healthcare (including the surcharge) for the years ended June 30, 2013 and 2012 were \$3 and \$204, respectively, of which 100 percent has been contributed for both fiscal years.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 6 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2013 and 2012 were \$231 and \$1,360, respectively, and 100 percent has been contributed for both fiscal years.

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Due to the Academy suspending operations, the Academy was only insured for the first quarter during the fiscal year ended June 30, 2013; the Academy was insured by Cincinnati Insurance Co. for the following coverage:

General Liability	
Per Occurrence	\$1,000,000
Damage to Rented Premises	300,000
Medical Expense	10,000
Personal and Advertising Injury	1,000,000
General Aggregate	2,000,000
Products - Comp/OP AGG	2,000,000
 Umbrella Liability	
Per Occurrence	\$5,000,000

Settled claims did not exceed this commercial coverage in fiscal year 2013. The amount of coverage did not decrease significantly compared to the prior fiscal year. However, after the first quarter of fiscal year 2013, the Academy terminated their insurance coverage due to the Academy's operations being suspended.

B. Workers' Compensation

The Academy 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 determined by the State.

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 8 - PURCHASED SERVICES

For fiscal year ended June 30, 2013, purchased services expenses were as follows:

Professional and Technical Services	69,723
Property Services	720
Communications	1,860
Contracted Craft or Trade Services	624
Total	<u>\$72,927</u>

NOTE 9 - SPONSOR CONTRACT

The Academy entered into a four-year contract commencing on May 15, 2011 and continuing through June 30, 2015 with the St. Aloysius Orphanage (the "Sponsor") for its establishment. The sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy's compliance with the laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Provide reasonable technical assistance to the Academy in complying with this contract and with applicable laws (provided, however, the Sponsor shall not be obligated to give legal advice to the Academy);
- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Establish and/or require a plan of action to be undertaken if the Academy experiences financial difficulties or losses before the end of the school year;
- Provide in writing the annual assurances for the Academy no later than ten business days prior to the opening of the Academy, as required in Ohio Revised Code Section 3314.19;
- Abiding by the requirements in its contract with the Ohio Department of Education, even should those requirements affect the Academy and/or the Governing Authority; and
- The Sponsor shall not enter into any contracts with current vendors of the Governing Authority without proper notice to the Governing Authority.

For the services listed above, the Academy is required to pay a fee to the Sponsor for the oversight and monitoring of the Academy. The fee is equal to 3 percent of all funds received from the State. The Academy paid the Sponsor \$916 for services during fiscal year 2013.

The Sponsor suspended operations of the Academy on August 7, 2012 and the Academy subsequently closed on February 14, 2014.

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 10 - CONTINGENCIES

A. Grants

The Academy 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 the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2013, if applicable, cannot be determined at this time.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE has conducted a final review of the Academy's student enrollment data and FTE calculations. The final review determined that the Academy had a \$0 balance.

NOTE 11 - SUBSEQUENT EVENTS

The Sponsor suspended operations of the Academy on August 7, 2012. On February 14, 2014, the Sponsor closed the operations of the Academy for failing to meet generally accepted standards of fiscal management and violating the provisions of applicable State and/or Federal laws and/or the provision of the charter dated May 15, 2011.

The following is a schedule of all receipts and expenditure transactions which occurred subsequent to June 30, 2013:

Date	Receipt	Expenditure	Payee/Vendor	Description
7/8/2013		\$471.50	Auditor of State	FY12 audit fees
9/20/2013	\$493.16		Houghton Mifflin Harcourt Publishing	Refund of prior year expense
3/12/2014		\$400.00	Asguard Financial	Tax return preparation

As of the report date, the Academy has a remaining bank balance of \$16,628.17, which will be used to liquidate any outstanding liabilities, with any excess being returned to the Ohio Department of Education.



Dave Yost • Auditor of State

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

Steve Sanders Academy of Ohio
Cuyahoga County
40 Hill Road South
Pickerington, Ohio 43147

To the Sponsor:

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 statement of the Steve Sanders Academy of Ohio, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated May 1, 2014, wherein we noted the Academy followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, resulting in an adverse opinion. The Academy also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement. We also noted the Academy suspended operations on August 7, 2012 and subsequently ceased operations on February 14, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 1, 2014

STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013

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

FINDING 2013-001

Annual Financial Report – Material Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. This section also provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

Ohio Administrative Code Section 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Academy prepared its financial statements in accordance with the regulatory cash basis of accounting, which is an accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statement and notes omitted assets, liabilities, fund equities, and disclosures due to being prepared on the cash basis. While the differences between the cash and GAAP basis are material, they cannot be reasonably determined at this time. Further, the Academy did not submit its annual financial report to the Auditor of State's office for fiscal year 2013.

Pursuant to Ohio Revised Code Section 117.38 the Academy may be fined for its failure to file the required financial report.

We recommend the Academy prepare its financial statements in accordance with GAAP and file its annual financial report within the required timeframe.

Official's Response: The Academy chose to not submit financials by the required deadline of November 30th since the school was in suspended status and the official closing date had not officially been determined at that point. It did not make financial sense to have the report prepared prior to November 30th and then a subsequent report after the school's closure. Once the school officially closed, the sponsor and treasurer chose to have the statements prepared on a "cash basis" by the Auditor of State in order to save time and money for all parties involved in the audit process.

STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013
(Continued)

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

FINDING 2013-002

Debt Agreement – Material Weakness

Debt should be entered into through official debt agreements that include the terms of the debt. These terms should include, but are not limited to, minimum payments required or an amortization schedule of payments to be made, including the timing and amount of payments on the debt, and any applicable interest that is owed on the debt.

The Academy entered into a line of credit totaling \$48,264, from GEMS Education Community School Services in fiscal year 2012 and the line of credit remained open throughout the audit period, with only one payment made for approximately half of the outstanding liability. However, the Academy could not provide a letter of credit agreement between the two parties. The debt was approved by the Board on March 15, 2012.

By entering into debt agreements without an official signed debt agreement, the terms, such as payment schedule and interest, and amount owed, could result in disputes with the debtor, lawsuit claims, errors in reporting and ineffective management oversight.

We recommend the Board only enter into debt with an official signed debt agreement.

Official's Response: The Board of Director's failed to exhibit adequate governance over the Steve Sanders Academy. This resulted in the sponsor taking over operations of the school on June 25, 2012 and ultimately suspending the Steve Sanders Academy on August 7th, 2012.

**STEVE SANDERS ACADEMY OF OHIO
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material Weakness for lack of official letter of credit for debt issued	No	Not Corrected; re-issued as Finding 2013-002
2012-002	Significant deficiency for ORC 149.43(B)(1) for lack of maintaining board minutes	Yes	

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Steve Sanders Academy of Ohio
Cuyahoga County
40 Hill Road South
Pickerington, Ohio 43147

To the Sponsor:

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

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

1. The Academy was suspended during FY13. We noted the Academy did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus"; Ohio Rev. Code Section 3313.666 required the Academy to amend its policy by November 4, 2012.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 1, 2014

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Dave Yost • Auditor of State

STEVE SANDERS ACADEMY OF OHIO

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2014**