



Dave Yost • Auditor of State

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ohio Connections Academy
Cuyahoga County
3740 Euclid Avenue, Suite 101
Cleveland, Ohio 44115

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Connections Academy, Cuyahoga County, Ohio, (the Academy), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Connections Academy, Cuyahoga County, Ohio, as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

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**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years ending June 30, 2013 and 2012**

The discussion and analysis of the financial performance of the Ohio Connections Academy, Cuyahoga County, Ohio (the Academy), provides an overview of the Academy's financial activities for the fiscal years ended June 30, 2013 and 2012. The intent of this discussion and analysis is to look at the Academy'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 the Academy's financial performance.

Financial Highlights

- For fiscal years 2013 and 2012, total assets were \$2,616,668 and \$3,643,246.
- For fiscal years 2013 and 2012, total liabilities were \$2,551,033 and \$3,628,992
- For fiscal years 2013 and 2012, total net position was \$65,635 and \$14,254.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The Statement of Net Position represents the basic statement of position for the Academy. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position. The Statement of Cash Flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

REPORTING THE ACADEMY AS A WHOLE

The view of the Academy as a whole looks at all financial transactions and asks, "How did we do financially during 2013 and 2012?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and change in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years ending June 30, 2013 and 2012**

FINANCIAL ANALYSIS

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from government-wide financial statements is included in the discussion and analysis.

The following tables represent the Academy's condensed financial information derived from the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Table 1 provides a summary of the Academy's net position for fiscal years 2013, 2012 and 2011:

Table 1			
Statement of Net Position			
	2013	2012	2011
Assets			
Current assets	\$ 2,585,409	\$ 3,593,355	\$ 852,881
Non-current assets	31,259	49,891	11,657
Total assets	2,616,668	3,643,246	864,538
Liabilities			
Current liabilities	2,551,033	3,628,992	826,023
Net Position			
Net Investment in capital assets	31,259	49,891	11,657
Unrestricted	34,376	(35,637)	26,858
Total Net Position	\$ 65,635	\$ 14,254	\$ 38,515

Over time, Net position can serve as a useful indicator of a government's financial position. At June 30, 2013 and 2012, the Academy's net position was \$65,635 and \$14,254, respectively.

Current assets represent cash and cash equivalents, federal grants receivables, prepaids, intergovernmental receivables and other receivables. Current liabilities represent accrued expenses and contracts payable at fiscal year-end.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years ending June 30, 2013 and 2012**

Table 2 shows the changes in net position for fiscal years 2013, 2012 and 2011:

Table 2			
Changes in Net Position			
	2013	2012	2011
Operating Revenues			
Foundation Payments			
Regular	\$ 17,395,443	\$ 16,621,878	\$ 13,748,799
Special Education	1,780,321	1,600,511	1,077,253
Total Operating Revenues	19,175,764	18,222,389	14,826,052
Operating Expenses			
Purchased Services	21,500,923	20,909,520	17,631,632
Depreciation	18,632	17,323	4,669
Total Operating Expenses	21,519,555	20,926,843	17,636,301
Operating Loss	(2,343,791)	(2,704,454)	(2,810,249)
Non-Operating Revenues			
Federal Grants	2,158,705	2,492,417	2,633,378
State Grants	-	-	5,000
Other Intergovernmental	235,221	184,731	168,156
Interest Earnings	1,246	3,045	4,489
Total Non-Operating Revenues	2,395,172	2,680,193	2,811,023
Increase (Decrease) in Net Position	\$ 51,381	\$ (24,261)	\$ 774

Net position increased by \$51,381 in 2013 and decreased by \$24,261 in 2012. For fiscal years 2013 and 2012, operating revenues increased \$953,375 or 5 percent and increased \$3,396,337 or 23 percent, respectively, due to an increase in Foundation payments caused by increased enrollment. Additionally, the Academy operates as a one business-type enterprise fund; therefore, analysis of balances and transactions of individual funds are not included in the discussion and analysis. Results of fiscal years 2013 and 2012 operations indicate ending net position of \$65,635 and \$14,254, respectively.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years ending June 30, 2013 and 2012**

BUDGET

Pursuant to Ohio Revised Code Chapter 5705.391, the Academy prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. The Academy will from time to time adopt budget revisions as necessary.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Academy used Federal Implementation Grant funds to purchase furniture and fixtures and computers for its office. This represents the only capital assets owned by the Academy. Capital asset information is summarized in Note 4 to the basic financial statements. The Academy has not issued any debt.

OTHER INFORMATION

Management is currently unaware of any known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, Massa Financial Solutions, LLC, 219 East Maple Street, Suite 202, North Canton, Ohio 44720 or e-mail at dave@massasolutionsllc.com.

**OHIO CONNECTIONS ACADEMY
 CUYAHOGA COUNTY
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2013 AND 2012**

<u>Assets:</u>	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and Cash Equivalents	\$ 821,294	\$ 3,187,072
Federal Grants Receivable	1,432,278	384,588
Prepays	123,997	18,825
Intergovernmental Receivable	154,674	-
Other Receivable	53,166	2,870
Total Current Assets	<u>2,585,409</u>	<u>3,593,355</u>
 Non-Current Assets		
Capital Assets (Net of Accumulated Depreciation)	<u>31,259</u>	<u>49,891</u>
Total Assets	<u>2,616,668</u>	<u>3,643,246</u>
 <u>Liabilities:</u>		
Current Liabilities:		
Contracts Payable	1,939,827	3,042,921
Accrued Expense	611,206	586,071
Total Current Liabilities	<u>2,551,033</u>	<u>3,628,992</u>
Total Liabilities	<u>2,551,033</u>	<u>3,628,992</u>
 <u>Net Position:</u>		
Net Investment in Capital Assets	31,259	49,891
Unrestricted	34,376	(35,637)
Total Net Position	<u>\$ 65,635</u>	<u>\$ 14,254</u>

See the Accompanying Notes to the Basic Financial Statements.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues:</u>		
Foundation Payments - Regular	\$ 17,395,443	\$ 16,621,878
Foundation Payments - Special Education	<u>1,780,321</u>	<u>1,600,511</u>
Total Operating Revenues	<u>19,175,764</u>	<u>18,222,389</u>
<u>Operating Expenses:</u>		
Purchased Services	21,500,923	20,909,520
Depreciation	<u>18,632</u>	<u>17,323</u>
Total Operating Expenses	<u>21,519,555</u>	<u>20,926,843</u>
<i>Operating Loss</i>	(2,343,791)	(2,704,454)
<u>Non-Operating Revenues:</u>		
Federal Grants	2,158,705	2,492,417
Other Intergovernmental Revenue	235,221	184,731
Interest Earnings	<u>1,246</u>	<u>3,045</u>
Total Non-Operating Revenues	<u>2,395,172</u>	<u>2,680,193</u>
<i>Increase (Decrease) in Net Position</i>	51,381	(24,261)
<i>Net Position, Beginning of Year</i>	14,254	38,515
<i>Net Position, End of Year</i>	<u>\$ 65,635</u>	<u>\$ 14,254</u>

See the Accompanying Notes to the Basic Financial Statements.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Cash Received for School Foundation Payments	\$ 19,175,764	\$ 18,222,389
Cash Payments to Suppliers for Goods and Services	<u>(22,889,024)</u>	<u>(18,112,130)</u>
<i>Net Cash Provided (Used) for Operating Activities</i>	(3,713,260)	110,259
<u>Cash Flows from Noncapital Financing Activities:</u>		
Federal Grants	1,111,015	2,698,132
Interest	1,246	3,045
Other Intergovernmental Revenue	<u>235,221</u>	<u>184,731</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	1,347,482	2,885,908
<u>Cash Flows from Investing Activities:</u>		
Purchase of Equipment, Net	<u>-</u>	<u>(55,557)</u>
<i>Net Cash Used in Investing Activities</i>	-	(55,557)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(2,365,778)	2,940,610
Cash and Cash Equivalents at Beginning of Year	3,187,072	246,462
Cash and Cash Equivalents at End of Year	<u><u>821,294</u></u>	<u><u>3,187,072</u></u>
<u>Reconciliation of Operating Income to Net Cash Used for Operating Activities:</u>		
Operating Loss	(2,343,791)	(2,704,454)
Depreciation	18,632	17,323
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>		
Changes in Assets and Liabilities:		
Increase (Decrease) in Contracts Payable	(1,103,094)	2,272,875
Increase in Accrued Expense	25,135	586,071
(Decrease) in Accounts Payable	-	(55,977)
Increase in Prepaid Items	(105,172)	(2,709)
Increase in Intergovernmental Receivable	(154,674)	-
Increase in Other Receivables	(50,296)	(2,870)
Total Adjustments	<u>(1,388,101)</u>	<u>2,797,390</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u><u>\$ (3,713,260.00)</u></u>	<u><u>\$ 110,259</u></u>

See the Accompanying Notes to the Basic Financial Statements.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Ohio Connections Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The mission of the Academy is to leverage technology on behalf of students who need a more personalized approach to education to maximize their potential and meet the highest performance standards. This mission is accomplished through a uniquely individualized learning program that combines the best in virtual education with very real connections among students, family, teachers, and the community. Every Academy student has a Personalized Learning Plan and an entire team of adults (including a parent or other learning coach and an Ohio-certified teacher) committed to the student’s successful fulfillment of that plan. The Academy is a high-quality, high-tech, high-touch virtual “school without walls” that brings out the best in every student through Personalized Performance Learning.

The Academy was approved for operation under a contract with the Toledo Charter School Council (now known as The Ohio Council of Community Schools, the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a six-member Board of Directors (the Board). The Board of Directors may not be fewer than five nor more than eleven members. At least three Directors will be as follows:

- (a) At least one Director shall be the parent of one or more students enrolled in the Academy,
- (b) At least one Director shall be a generally recognized community leader in the area served by the Academy, and
- (c) At least one Director shall be an educator or have experience in education.

Additionally, the Academy entered into a five-year contract on August 7, 2003, with Connections Academy Inc. for curriculum, school management services, instruction, technology and other services, which was restated and assigned to Connections Academy of Ohio, LLC (“CA”) on July 1, 2010, with an expiration date of June 30, 2016. (See Note 9).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy’s accounting policies are described below.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation

Enterprise Accounting

The Academy'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.

The Academy uses enterprise accounting to track and report on its financial activities. The Academy uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are 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 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. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Pursuant to Ohio Revised Code Chapter 5705.391, the Academy prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. The Academy will from time to time adopt budget revisions as necessary.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

Cash held by the Academy is reflected as “Cash and Cash Equivalents” on the statement of net position. Unless otherwise noted, all monies received by the Academy are pooled and deposited in a central bank account as demand deposits. Investments with an initial maturity of more than 3 months are reported as investments. During the fiscal years ended June 30, 2013 and 2012, investments were limited to a repurchase agreement.

E. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Foundation and Special Education payments are recognized as operating revenues in the accompanying financial statements. Federal grants awarded and received in fiscal years 2013 and 2012, totaled \$2,158,705 and \$2,492,417, respectively. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. When both restricted and unrestricted resources are available for use, it is the Academy’s policy to use restricted resources first, then unrestricted resources as they are needed.

F. Capital Assets

Capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. The Academy maintains a capitalization threshold of \$1,000 dollars. The Academy does not have any infrastructure. 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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and Fixtures	7 years
Equipment	5 years
Computers	3 years

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Net Position

Net Position represents the difference between assets and liabilities. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy did not have any restricted net position in fiscal years 2013 and 2012.

H. 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 this definition are reported as non-operating.

I. Estimates

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

J. Accrued Expenses

Obligations incurred but unpaid at June 30 are reported as accrued expenses in the accompanying financial statements. These liabilities consisted of contracts payable and accrued expenses, totaling \$611,206 and \$586,071 at June 30, 2013 and 2012, respectively.

K. Exchange and Non-Exchange Transactions

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

**OHIO CONNECTIONS ACADEMY
 CUYAHOGA COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Change in Accounting Principles

In fiscal year 2013, the Academy implemented GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*”. GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows* of resources and deferred *inflows* of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a academy’s net position. The implementation of GASB Statement No. 63 has changed the presentation of the Academy’s financial statements to incorporate the concepts of net position.

NOTE 3 – DEPOSITS

A. Deposits with Financial Institutions

The Academy’s financial institution deposits for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Carrying Amount of Deposits	\$ 50,000	\$ 50,000
Repurchase Agreement	<u>1,568,845</u>	<u>3,172,207</u>
Bank Balance	\$ <u>1,618,845</u>	\$ <u>3,222,207</u>

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, \$571,294 and \$2,937,072 was exposed to custodial credit risk as discussed below for the fiscal years ended June 30, 2013 and 2012, respectively, while \$250,000 and \$250,000 was covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk: is the risk that in the event of bank failure, the Academy’s investments may not be returned. The Academy has no policy regarding custodial credit risk. In addition, state law does not require security for public deposits and investments to be maintained in the Academy’s name.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2013</u>
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 88,161	\$ -	\$ -	\$ 88,161
Less accumulated depreciation:				
Furniture, fixtures, and equipment	<u>(38,270)</u>	<u>(18,632)</u>	<u>-</u>	<u>(56,902)</u>
Capital assets, net of accumulated depreciation	<u>\$ 49,891</u>	<u>\$ (18,632)</u>	<u>\$ -</u>	<u>\$ 31,259</u>

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

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2012</u>
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 32,604	\$ 55,557	\$ -	\$ 88,161
Less accumulated depreciation:				
Furniture, fixtures, and equipment	<u>(20,947)</u>	<u>(17,323)</u>	<u>-</u>	<u>(38,270)</u>
Capital assets, net of accumulated depreciation	<u>\$ 11,657</u>	<u>\$ 38,234</u>	<u>\$ -</u>	<u>\$ 49,891</u>

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 5 - OPERATING LEASES

The Academy rents multiple office facilities through lease agreements executed between their landlords and CA. The terms of these leases are due to expire over periods ranging from August 31, 2011 through August 31, 2016.

Future minimum lease payments for the operating leases are as follows:

<u>Years Ending June 30,</u>	<u>Worthington</u>	<u>Mason</u>	<u>Cleveland</u>	<u>Total</u>
2014	\$ 13,437	\$ 52,595	\$ 54,000	\$ 120,032
2015	-	53,910	4,500	58,410
2016	-	55,258	-	55,258
2017	-	27,172	-	27,172
Total	<u>\$ 13,437</u>	<u>\$ 188,935</u>	<u>\$ 58,500</u>	<u>\$ 260,872</u>

NOTE 6- RECEIVABLES

Receivables consisted of federal grants, intergovernmental receivables, and other receivables as of June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Title I Improving Basic Program	\$ 681,209	\$ 79,734
Title II-A Improving Teacher Quality	10,370	724
Title II-D Technology	-	6,390
Title VI-B Special Education	650,466	8,939
Early Childhood Special Education	158	-
Education Jobs		169,761
Race to the Top	90,075	119,040
Intergovernmental Receivable	154,674	-
Other Receivable	53,166	2,870
Total	<u>\$ 1,640,118</u>	<u>\$ 387,458</u>

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 7 – RISK MANAGEMENT

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 and natural disasters. For fiscal years 2013 and 2012, the Academy contracted with CA to provide insurance in the following amounts through being included as an additional insured on their policy with Diversified Insurance Services for the following coverage:

Commercial general liability: \$2,000,000 general aggregate with a \$1,000,000 single occurrence limit along with \$21,000,000 in excess liability coverage for both aggregate and single occurrence.

There were no settlements in excess of insurance coverage over the three years.

NOTE 8 – FISCAL AGENT AND PAYMENTS TO SPONSOR

The sponsorship agreement with Ohio Council of Community Schools requires that the Academy shall have a designated fiscal officer who shall meet all the requirements as set forth by law including:

- A. Maintain the financial records of the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- B. Comply with the policies and procedures regarding internal financial control of the Academy;
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

The Academy shall pay to the Sponsor 2.5 percent of all base per pupil cost payments received from the state in consideration for the time, organization, oversight, fees and costs of the Sponsor in overseeing the Academy. The Academy's Fiscal Agent during the audit period was C. David Massa. The total sponsorship fees paid totaled \$480,291 and \$455,516 for the fiscal years ended June 30, 2013 and 2012, respectively.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 9 – MANAGEMENT CONSULTING CONTRACT/PURCHASED SERVICES

The Academy entered into a five-year contract on August 7, 2003 with Connections Academy, Inc. This agreement was restated and assigned to Connections Academy of Ohio, LLC (“CA”) on July 1, 2010. In the agreement, which expires on June 30, 2016, CA agrees to provide curriculum, instruction, technology and other school management services. Under the contract, the following terms were agreed upon:

CA will provide direct materials/services or procurement and payment services for the following:

1. Instructional materials as approved by the Board and the Sponsor.
2. Various educational protocols and assessments.
3. Administrative personnel, including health and other benefits, as approved by the Board and the Sponsor where required.
4. Teaching staff, including health and other benefits, as approved by the Board.
5. Educational support services for participating families.
6. Training and other professional development as approved by the Board.
7. Hardware and software as approved by the Board.
8. Technical support for any hardware and software provided under the contract.
9. Maintenance of student records.
10. Services to special needs students as required by law.
11. Administrative services including expenditures for a facility and capital, both of which require Board approval.
12. Financial, treasury and other reporting as required by law.
13. Student recruiting and community education.
14. General school management.

For the services listed above, the Academy is required to reimburse certain actual expenses, pay a fee based on enrollment statistics and pay a school management fee to CA. The school management fee is not to exceed 15 percent of all funds received by the Academy. The total expense on an accrual basis under this contract for fiscal years 2013 and 2012 totaled \$20,223,739 and \$19,169,786, respectively. Of this amount, \$1,939,827 and \$3,042,921 represents a contract payable at June 30, 2013 and 2012, respectively.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

**NOTE 9 – MANAGEMENT CONSULTING CONTRACT/PURCHASED SERVICES
(CONTINUED)**

For the periods ended June 30, 2013 and 2012, CA, incurred the following expenses on behalf of the Academy:

Expense		2013	2012
Direct Expenses		<u>2013</u>	<u>2012</u>
100	Salaries & wages	\$ 5,281,867	\$ 4,853,800
200	Employees' benefits	867,335	1,149,071
410	Professional & technical services	792,201	632,821
420	Property services	232,555	222,508
430	Travel	253,698	245,601
440	Communications	353,616	415,922
450	Utilities	8,133	10,484
460	Contracted craft or trade services	16,972	43,116
490	Other purchased services	422,024	283,337
510	Other supplies	35,892	38,535
	Other direct costs - Allocated	2,166,828	2,131,196
Indirect Expenses:			
	Overhead	6,944,926	8,031,291
Total expenses		<u>\$ 17,376,047</u>	<u>\$ 18,057,682</u>

The Management Company incurs a variety of costs including general and administrative costs, marketing costs, software development costs, curriculum development costs, enrollment and placement costs, fulfillment and asset tracking costs, legal costs, and other costs associated with providing services to more than one school. These costs are not charged directly to the schools but are allocated internally by the Management Company pro rata based on the number of total students that have enrolled in each school.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 10 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement 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 Academy. However, in the opinion of management, the Academy has complied with all grant requirements.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted.

C. Litigation

There are currently no matters in litigation with the Academy as defendant.

NOTE 11 – TAX EXEMPT STATUS

The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's nonprofit status. The Academy was approved on October 26, 2006 for tax exempt status under 501(C)3 of the Internal Revenue Code. The approval had a retroactive date of July 3, 2003.

NOTE 12 – MANAGEMENT PLAN

The Academy had an operating loss of \$2,343,791 and \$2,704,454 and a net position increase of \$51,381 at the end of fiscal year June 30, 2013 and a net position decrease of \$24,261 at the end of fiscal year June 30, 2012. The Academy is projecting a positive net position balance for fiscal year ending June 30, 2014.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 13 – MANAGEMENT COMPANY

The Academy has contracted with CA to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy ultimately is responsible for remitting retirement contributions to the State Teachers Retirement System and the School Employees Retirement System.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employee 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, 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 state statute per 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. 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. 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. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The Academy's contributions to SERS for the years ended June 30, 2013, 2012 and 2011 were \$66,425, \$57,307 and \$47,203, respectively, which equaled the required contributions each year.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System

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*”.

Plan Options - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System

Funding Policy - For fiscal years 2013 and 2012, 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, 2012 and 2011 were \$645,134, \$596,917 and \$505,634, respectively; 100 percent has been contributed for fiscal years ended June 30, 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal years 2013, 2012 and 2011 were \$645,134, \$596,917 and \$505,634, respectively, made by the Academy and \$460,810, \$426,369 and \$368,067, respectively, made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages.

NOTE 15 – POST EMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 15 – POST EMPLOYMENT BENEFITS (CONTINUED)

A. School Employee Retirement System

\$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. The Medicare Part B premium for calendar year 2012 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$756, \$2,251 and \$16,044, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Years ending June 30, 2013 and 2012**

NOTE 15 – POST EMPLOYMENT BENEFITS (CONTINUED)

A. School Employee Retirement System

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$3,511, \$3,070 and \$2,533; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health 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 or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013 and 2012, 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, 2012 and 2011 were \$46,037, \$42,637 and \$36,827, respectively; 100 percent has been contributed for fiscal years ended June 30, 2013, 2012 and 2011.

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**OHIO CONNECTIONS ACADEMY
 CUYAHOGA COUNTY
 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
 for the fiscal year ending June 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
US DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Grants to Local Education Agencies (Title I, Part A of the ESEA) - 2012	84.010	\$ 176,716	\$ -
Grants to Local Education Agencies (Title I, Part A of the ESEA) - 2013	84.010	<u>389,689</u>	<u>1,013,855</u>
Total Grants to Local Education Agencies (Title I, Part A of the ESEA)		566,405	1,013,855
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B) - 2012	84.027	44,814	35,876
Special Education - Grants to States (IDEA, Part B) - 2013	84.027	184,716	780,248
Special Education - Preschool Grants (Early Childhood Spec Ed) - 2013	84.173	<u>1,422</u>	<u>1,580</u>
Total Special Education Cluster (IDEA)		230,952	817,704
Education Technology State Grants (Title IID) - 2012	84.318	<u>6,390</u>	<u>-</u>
Improving Teacher Quality State Grants (Title IIA) - 2012	84.367	724	-
Improving Teacher Quality State Grants (Title IIA) - 2013	84.367	<u>14,430</u>	<u>24,800</u>
Total Improving Teacher Quality State Grants (Title IIA)		15,154	24,800
Education Jobs Fund - 2012	84.410	<u>169,761</u>	<u>-</u>
ARRA - Race to the Top - 2012	84.395	122,172	42,947
ARRA - Race to the Top - 2013	84.395	<u>-</u>	<u>90,076</u>
Total ARRA - Ract to the Top		122,172	133,023
Total U.S. Department of Education		<u>1,110,834</u>	<u>1,989,382</u>
Total Federal Financial Assistance		<u>\$1,110,834</u>	<u>\$1,989,382</u>

The accompanying notes are an integral part of this Schedule.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Ohio Connections Academy's (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**OHIO CONNECTIONS ACADEMY
 CUYAHOGA COUNTY
 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
 for the fiscal year ending June 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
US DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Grants to Local Education Agencies (Title I, Part A of the ESEA) - 2011	84.010	\$ 223,769	\$ -
Grants to Local Education Agencies (Title I, Part A of the ESEA) - 2012	84.010	785,917	854,344
ARRA - Title I Grants to Local Education Agencies - 2012	84.389	71,942	71,942
Total Title I, Part A Cluster		<u>1,081,628</u>	<u>926,286</u>
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B) - 2011	84.027	354,131	-
Special Education - Grants to States (IDEA, Part B) - 2012	84.027	463,432	472,371
Special Education - Preschool Grants (Early Childhood Spec Ed) - 2012	84.173	1,970	1,970
Total Special Education Cluster (IDEA)		<u>819,533</u>	<u>474,341</u>
Education Technology State Grants (Title IID):			
Education Technology State Grants (Title IID) - 2011	84.318	2,796	-
Education Technology State Grants (Title IID) - 2012	84.318	-	6,390
Total Education Technology State Grants (Title IID)		<u>2,796</u>	<u>6,390</u>
Improving Teacher Quality State Grants (Title IIA):			
Improving Teacher Quality State Grants (Title IIA) - 2011	84.367	9,607	-
Improving Teacher Quality State Grants (Title IIA) - 2012	84.367	18,664	19,388
Total Improving Teacher Quality State Grants (Title IIA)		<u>28,271</u>	<u>19,388</u>
Education Jobs Fund - 2012	84.410	730,031	899,792
ARRA - Race to the Top - 2012	84.395	35,873	115,098
Total U.S. Department of Education		<u>2,698,132</u>	<u>2,441,295</u>
Total Federal Financial Assistance		<u>\$ 2,698,132</u>	<u>\$ 2,441,295</u>

The accompanying notes are an integral part of this Schedule.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Ohio Connections Academy's (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.



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

Ohio Connections Academy
Cuyahoga County
3740 Euclid Avenue, Suite 101
Cleveland, Ohio 44115

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio Connections Academy, Cuyahoga County, Ohio (the Academy) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 21, 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 statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 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

August 21, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ohio Connections Academy
Cuyahoga County
3740 Euclid Avenue, Suite 101
Cleveland, Ohio 44115

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Ohio Connections Academy (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Ohio Connections Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-001. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Ohio Connections Academy
Cuyahoga County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ohio Connections Academy
Cuyahoga County
3740 Euclid Avenue, Suite 101
Cleveland, Ohio 44115

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Ohio Connections Academy (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination of the Academy's compliance.

Basis for Qualified Opinion on Education Jobs Fund

As described in findings 2012-001 and 2012-002 in the accompanying schedule of findings, the Academy did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-001	84.410	Education Jobs Fund	Time and Effort
2012-002	84.410	Education Jobs Fund	Semi-Annual Certificates

Compliance with these requirements is necessary, in our opinion, for the Academy to comply with the requirements applicable to this program.

Qualified Opinion on Education Jobs Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Education Jobs Fund* paragraph, the Ohio Connections Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its Education Jobs Fund program for the year ended June 30, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Ohio Connections Academy complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the fiscal year ended June 30, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2012-003. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent

needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings costs as item 2012-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-001 to be a significant deficiency.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

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**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education – Grants to States (IDEA, Part B) – CFDA #84.027 Grants to Local Education Agencies (Title I, Part A of the ESEA) – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2013-001
CFDA Title and Number	All
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Other Federal Noncompliance – Timely Filing of Federal Single Audit Reports

OMB Circular A-133, Subpart C, Section .320(a) requires the Academy to submit the data collection form described in Section .320(b) and the reporting package described in Section .320(c) within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

OMB Compliance Supplement, Appendix 7 states “II. Granting of Extensions Eliminated - The single audit is a key tool used to drive accountability for Federal awards under ARRA. Due to the importance of single audits and the reliance of Federal agencies on the audit results to monitor accountability for all Federal programs, OMB has advised Federal agencies in Updated Guidance on the American Recovery and Reinvestment Act, dated March 22, 2010 (M-10-14), that they should not grant any extension requests to grantees for fiscal years 2009 through 2011. Federal agencies have either already adopted or are in the process of adopting this policy.”

The Academy did not submit its 2013 Single Audit reports prior to the deadline noted above. The failure to submit timely reports precludes the Academy from being a low-risk-auditee as described in Section .530, which makes the Academy ineligible for reduced audit coverage when determining major federal programs.

We recommend the Academy submit its data collection form and reporting package timely in order to be considered a low-risk-auditee and eligible for reduced audit coverage when determining major programs.

Official’s Response:

The Academy will submit the data collection form and the reporting package timely in future years.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified for all major programs except for Education Jobs Fund which was Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education – Grants to States (IDEA, Part B) – CFDA #84.027 Title I, Part A Cluster – CFDA #84.010 and #84.389 Education Jobs Fund – CFDA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-001
CFDA Title and Number	Education Jobs Fund, CFDA #84.410
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency, Noncompliance Finding – Time and Effort Requirements

2 CFR 225 Attachment B Section 8(h)(4), provides where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8(h)(5), unless a statistical sampling system or other substitute systems has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: a) More than one Federal award, b) A federal award and a non-Federal award, c) An indirect cost activity and a direct cost activity, d) Two or more indirect activities which are allocated using different allocation bases, or e) An unallowable activity and a direct or indirect cost activity.

The Academy is required to provide time and effort documentation for any employee which is paid from more than one source. This time and effort documentation must be contemporaneous and reflective of actual hours worked. A special system designed to meet this requirement is not required if the local entity can provide clear, concise and unambiguous documentation that the standard was met.

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation (i.e., time and effort forms). The supporting documentation should be kept in the personnel file of the affected employee or in other conspicuous locations to aid in the audit and to assist in the review of Academy payroll information.

During fiscal year 2012, the Academy indicated that all Education Jobs Fund employees worked 100% of their time on school level activities. As a result of our testing, we determined there was one employee that worked part of the time on school level activities and part of the time on district level activities. Therefore, Time and Effort documentation was required because the employee did not work 100% on school level activities. This employee was required to prepare or provide the requisite forms supporting Time and Effort.

The purpose of this CFR is to establish principles and standards to provide a uniform approach for determining costs and to promote effective program delivery, efficiency and better relationships between the Academy and the Federal Government. The failure to prepare the required time and effort forms not only violates the CFR, it also increases the risk of inappropriate accounting for federal grant monies.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (CONTINUED)

Significant Deficiency, Noncompliance Finding – Time and Effort Requirements (Continued)

We recommend the Academy support employees' salaries and wages who work on multiple activities or cost objectives by personnel activity reports or equivalent documentation which meets the standards.

Official's Response:

The Academy will monitor its Federal programs to ensure compliance with 2 CFR 225, with respect to maintaining time and effort documentation for those employees who are paid from more than one source. The Education Jobs Fund grant isn't a funded program in subsequent years.

Finding Number	2012-002
CFDA Title and Number	Education Jobs Fund, CFDA #84.410
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness, Material Noncompliance Finding – Semi-Annual Certificates

2 CFR 225 Attachment B Section 8(h)(3), provides that an employee who works solely on single cost objectives (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish semi-annual certifications that he or she has been engaged solely in activities supported by the applicable source.

We noted during our testing of the federal payroll expenditures, the Academy did not furnish semi-annual certifications for 22 individuals whose salaries were solely charged to the Education Jobs Fund grant during 2012.

Failure to satisfy the specific requirements of 2 CFR 225 and furnish a semi-annual certification could result in the misappropriation of Federal grant monies.

We recommend the Academy employees who work on single cost objectives to furnish semi-annual certifications.

Official's Response:

The Academy will monitor its Federal programs to ensure compliance with 2 CFR 225, with respect to furnishing semi-annual certification for those employees who work on single cost objectives. Education Jobs Fund grant isn't a funded program in subsequent years.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (CONTINUED)

Finding Number	2012-003
CFDA Title and Number	All
Federal Award Number / Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Other Federal Noncompliance – Timely Filing of Federal Single Audit Reports

OMB Circular A-133, Subpart C, Section .320(a) requires the Academy to submit the data collection form described in Section .320(b) and the reporting package described in Section .320(c) within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

OMB Compliance Supplement, Appendix 7 states “II. Granting of Extensions Eliminated - The single audit is a key tool used to drive accountability for Federal awards under ARRA. Due to the importance of single audits and the reliance of Federal agencies on the audit results to monitor accountability for all Federal programs, OMB has advised Federal agencies in Updated Guidance on the American Recovery and Reinvestment Act, dated March 22, 2010 (M-10-14), that they should not grant any extension requests to grantees for fiscal years 2009 through 2011. Federal agencies have either already adopted or are in the process of adopting this policy.”

The Academy did not submit its 2012 Single Audit reports prior to the deadline noted above. The failure to submit timely reports precludes the Academy from being a low-risk-auditee as described in Section .530, which makes the Academy ineligible for reduced audit coverage when determining major federal programs.

We recommend the Academy submit its data collection form and reporting package timely in order to be considered a low-risk-auditee and eligible for reduced audit coverage when determining major programs.

Official’s Response:

The Academy will submit the data collection form and the reporting package timely in future years.

**OHIO CONNECTIONS ACADEMY
CUYAHOGA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	The Education Jobs Fund is no longer a funded Program; however the Academy will monitor its Federal programs with respect to maintaining time and effort documentation.	2014	Dave Massa, CFO
2012-002	The Education Jobs Fund is no longer a funded Program; however the Academy will monitor its Federal programs with respect furnishing semi-annual certifications.	2014	Dave Massa, CFO
2012-003 and 2013-001	The Academy will submit its data collection form and reporting package timely.	December 2014	Dave Massa, CFO

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**OHIO CONNECTIONS ACADEMY
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	During fiscal year 2011, the School did not maintain accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions and account balances, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements.	Yes	Corrected
2011-002	During fiscal year 2011, the School could not adequately support \$103,549 of personnel and fringe benefits charged to federal awards in accordance with 2 CFR 225. The \$103,549 questioned was allocated from charges made by the management company, Connections Academy (CA). In addition, OCA did not have procedures to determine allowable and unallowable cost in accordance with federal regulations.	Yes	Corrected
2011-003	During fiscal year 2011, the School did not file the Single Audit report by March 31, 2012.	No	Not Corrected. See Finding No. 2012-003 and 2013-001.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Connections Academy
Cuyahoga County
3740 Euclid Avenue, Suite 101
Cleveland, Ohio 44115

To the Board of Directors:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Ohio Connections Academy (the School) 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. We noted the Board amended its anti-harassment policy at its meeting on March 22, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 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

August 21, 2014

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Dave Yost • Auditor of State

OHIO CONNECTIONS ACADEMY

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
SEPTEMBER 16, 2014**