



Dave Yost • Auditor of State

**SECOR GARDENS ACADEMY
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Secor Gardens Academy
Lucas County
C/O North Central Ohio Educational Service Center
928 West Market Street, Suite A
Tiffin, Ohio 44883

To the Sponsor:

Report on the Financial Statement

We have audited the accompanying financial statement of Secor Gardens Academy, Lucas County, Ohio (the Academy), as of and for the period July 1, 2013 through March 11, 2014, 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 financial statements that are 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 overall financial statement presentation.

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

Basis for Adverse Opinion

As described in Note 2 of the financial statement, the Academy prepared this financial statement using the 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 2 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 and results of operations of Secor Gardens Academy as of and for the period July 1, 2013 through March 11, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statement, the Academy ceased operations on March 11, 2014. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, 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

March 25, 2016

**Secor Gardens Academy
Lucas County**

**Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance
for the Period July 1, 2013 through March 11, 2014**

Operating Cash Receipts:

State Foundation	\$ 211,654
Miscellaneous	9,577
<i>Total Operating Cash Receipts</i>	<u>221,231</u>

Operating Cash Disbursements:

Salary	72,941
Benefits	15,077
Purchased Services	115,090
Materials	6,262
Equipment	7,085
Other Disbursements	5,138
<i>Total Operating Cash Disbursements</i>	<u>221,593</u>

Operating Disbursements Over Receipts (362)

Fund Cash Balance, July 1	534
Fund Cash Balance, March 11	<u>\$ 172</u>

The Notes to the Financial Statement is an integral part of this statement.

**SECOR GARDENS ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD JULY 1, 2013 THROUGH MARCH 11, 2014**

1. Description of the Academy and Reporting Entity

Secor Gardens Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through fifth grade. The Academy, which is part of the State's education program, is independent of any district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the North Central Ohio Educational Service Center (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 or terminate the contract prior to its expiration.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Academy's financial statement consists of a statement of receipts, disbursements and changes in fund balance. The statement of receipts, disbursements and changes in fund balance compares disbursements with receipts for each function of the Academy's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

B. Basis of Accounting

The Academy uses enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Contrary to Ohio law the financial statements prepared using the cash basis of accounting basis. Receipts are recorded in the Academy's financial records and reported in the financial statement when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement.

**SECOR GARDENS ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD JULY 1, 2013 THROUGH MARCH 11, 2014
(CONTINUED)**

C. Fund Accounting

The Academy uses fund accounting to segregate cash that is restricted as to use. The Academy classifies its activity into an enterprise fund.

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

D. Budgetary Process

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

E. Cash

All monies received by the Academy are maintained in a separate bank account in the Academy's name. There was \$172 cash on hand at the close of the fiscal period.

F. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

G. Inventory and Prepaid Items

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statement.

H. Operating Revenue and Expenses

Operating revenues are those receipts that are generated directly from the primary activity of the Academy. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the Academy. All revenues and expense not meeting this definition are reported as non-operating.

I. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Receipts from this program are recognized as operating receipts in the accounting period in which payment is received by the Academy. Foundation payments for the fiscal year 2014 amounted to \$211,654.

3. Equity in Pooled Deposits

At March 11, 2014, the carrying amount of the Academy's deposits was \$172. Deposits are insured by the Federal Depository Insurance Corporation

**SECOR GARDENS ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD JULY 1, 2013 THROUGH MARCH 11, 2014
(CONTINUED)**

4. Risk Management

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. During the fiscal year, the Academy contracted with Amtrust North America for liability insurance.

5. Management Agreement

The Academy entered into a contract effective July 1, 2013 with Hancock, Hancock & Associates LLC (Management Company) for educational and financial management services. The Academy paid the Management Company \$11,900 for services provided during fiscal year 2014. Terms of the contract require the Sponsor to provide the following:

- A. All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the Academy;
- B. Implementation and administration of the Educational Program, including the selection of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- C. All personnel functions, including professional development for the Academy principal, all instructional personnel, and support staff;
- D. Some aspects of the business administration of the Academy;
- E. Reports on Academy operations, finances, and students' performances, upon request;
- F. A projected annual budget prior to each fiscal year;
- G. Detailed statements of all revenues received, from whatever source, and detailed statements of all expenses for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request; and
- H. Any other function necessary or expedient for the administration of the Academy.

6. Purchased Services

For fiscal period ended March 11, 2014, expenses for purchased services were as follows:

Professional and technical services	\$ 115,090
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7. Rental Agreement

The Academy entered into a Lease agreement with The Armory Church and its Sponsor beginning July 1, 2013 to provide class space (rent), restrooms, lunch/vending area, conference space, lawn service, snow removal, and utilities. The Armory Church provided these for fiscal period.

**SECOR GARDENS ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD JULY 1, 2013 THROUGH MARCH 11, 2014
(CONTINUED)**

8. Retirement Systems

The Academy's employees belong to either State Teachers Retirement System (STRS) or the State Employees Retirement System (SERS). STRS and SERS are cost sharing, multiple employer plans. The Ohio Revised Code prescribes the plans' retirement benefits including survivor and disability benefits but excluding postretirement healthcare.

The Ohio Revised Code also prescribes contribution rates for the systems. For the period July 1, 2013 to June 30, 2014 SERS and STRS members contributed 10 percent and 11 percent of their wages respectively and the Academy contributed an amount equal to 14 percent of participants' gross salaries. Employer payments to the retirement systems were withheld from the foundation payments to the Academy. STRS was paid \$14,202 and SERS was paid \$2,320.

9. Ceased Operations

The Academy closed on February 10, 2014 and ceased operations on March 11, 2014.

10. Contingencies

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Academy, which can extend past the fiscal year end. On November 13, 2014, the Ohio Department of Education (ODE) notified the Academy that \$61,450 was due to back ODE for Foundation funding that was paid in error to the Academy. This has resulted in a Finding For Recovery issued against the Academy.

11. Subsequent Events

The Academy turned all assets over to the Sponsor after operations ceased. The Sponsor sold the majority of the equipment at public auction and currently retains the \$2,337 generated by the sale. A laptop computer, laser printer and a Bluebird bus is in the possession of the Sponsor. There was no financial activity for the Academy after March 11, 2014.

The Academy has followed the closing procedures prescribed by the Ohio Department of Education (ODE). These procedures included official notification to ODE, the students and the community of the Academy's decision to close and preparation of the financial statement.

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

Secor Gardens Academy
Lucas County
C/O North Central Ohio Educational Service Center
928 West Market Street, Suite A
Tiffin, Ohio 44883

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 Secor Gardens Academy, Lucas County, Ohio (the Academy) as of and for the period July 1, 2013 through March 11, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 25, 2016, wherein we issued an Adverse Opinion for the Academy not preparing their financial statement in accordance with Generally Accepted Accounting Principles and wherein we noted the Academy ceased operation on March 11, 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.

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 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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002 and 2014-003.

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

March 25, 2016

**SECOR GARDENS ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD JULY 1, 2013 THROUGH MARCH 11, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Personal and Financial Data

Employee Masterfile data was not properly accumulated, posted, and retained. Payroll contracts and STRS and SERS enrollment information for many of the employees were not in employee files or in possession of the Academy's management. Not all payroll transactions after December 31, 2013 were entered into the Academy's accounting system.

The Academy's management did not have the skills or knowledge to properly maintain and enter critical data for the Academy.

Even though we were ultimately able to substantiate the validity of payroll transactions, incomplete record keeping and transaction posting substantially increases the risk of error or fraud. Wages, taxes and other receipts and disbursements may not be reported. Associated liabilities may also not be satisfied.

We recommend the Sponsor maintain closer oversight. Measures should have also been taken to insure complete and proper collection and retention of the standing data.

We also recommend that the sponsor inquire with the IRS, STRS/SERS, the State of Ohio, the State of Michigan and the City of Toledo to ensure that all wages paid were reported, and that employee and employer taxes have been remitted.

FINDING NUMBER 2014-002

Noncompliance

Filing of Annual Financial Report

Ohio Rev. Code § 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 Admin. Code § 117-2-03 (B) requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

As a cost savings measure the Academy prepared financial statement on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP) as required by law. Variances on the financial statements between the Academy's accounting practice and GAAP, while presumably material, cannot be reasonably determined at this time.

FINDING NUMBER 2014-003

Finding for Recovery

Ohio Rev. Code Section 3314.08 provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure.

A full-time student is one who attends the entire school day and entire school year; that will result with the student having a Full-Time Equivalence (FTE) of 1.00. Students who attend a Community School for less than the entire year will have an FTE equal to the total days/hours attended divided by the number of days/hours in the school year. Community Schools are funded on a per-pupil FTE basis. The School Options Enrollment System (SOES) is the EMIS subsystem that drives funding for community schools. It is a Web application administered by the Ohio Department of Education (ODE) and used by community schools and traditional public schools to enter and review data used to flow funds to community schools. Community school personnel enter data in the SOES system and traditional public school personnel review, verify or challenge that data.

Ohio Rev. Code Section 3313.64(J) states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school district responsible for tuition on behalf of the child, and any other information that the superintendent requires. Upon receipt of this report, the superintendent shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount required to be paid by the state.

In addition, Ohio Rev. Code Section 3314.08 requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend. Based on these reported numbers, the Ohio Department of Education shall calculate and subtract the appropriate amount of state aid from each school district. The amount subtracted shall be paid to the corresponding community school or to the internet or computer-based community school entitled to receive those funds. When calculating and subtracting the appropriate amount of state aid, the department should take into consideration any enrollment of students in community schools for less than the equivalent of a full school year.

The Academy was approved to receive funding from the state on a monthly basis. At certain times throughout the fiscal year, ODE receives and reviews data and, if necessary, modifies the amounts to be distributed to community schools. Based on its review of the Academy data, ODE determined the Academy was not entitled to some funding that it had received. In a letter dated November 13, 2014, ODE informed the Academy they were entitled to receive \$152,346 and actually received \$213,796. This resulted in a balance of \$61,450 owed to the Ohio Department of Education by the Academy.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Secor Gardens Academy in the amount of \$61,450 in favor of the Ohio Department of Education.

Officials' Response:

We did not receive a response from Officials to the above findings.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Secor Gardens Academy
Lucas County
C/O North Central Ohio Educational Service Center
928 West Market Street, Suite A
Tiffin, Ohio 44883

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

1. We noted the Board adopted an anti-harassment policy at its meeting on April 2, 2013.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - (10) A requirement that the school administration semiannually provide the president of the board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We noted the Board policy included violence within a dating relationship within its definition of harassment, intimidation or bullying.
 4. We noted the Board policy included 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 the Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2016



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SECOR GARDENS ACADEMY

LUCAS 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
MAY 10, 2016**