

IMAGINE CLEVELAND ACADEMY

CUYAHOGA COUNTY

**JULY 1, 2015 TO JUNE 30, 2016
AGREED UPON PROCEDURES**



Dave Yost • Auditor of State

Governing Board
Imagine Cleveland Academy
3443 E. 93rd Avenue
Cleveland, Ohio 43104

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the Imagine Cleveland Academy, Cuyahoga County, prepared by Julian & Grube, Inc., for the period July 1, 2014 through September 30, 2015. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Imagine Cleveland Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 3, 2017

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Julian & Grube, Inc. *Serving Ohio Local Governments*

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Imagine Cleveland Academy
Cuyahoga County, Ohio
3443 E. 93rd Avenue
Cleveland, Ohio 43104

We have performed the procedures enumerated below, with which the Governing Board, Sponsor, and the management of Imagine Cleveland Academy (the "Academy") and the Auditor of State agreed, solely to assist the Ohio Department of Education (ODE) in evaluating whether the Academy completed the ODE Community School Closing Procedures for this Academy that was suspended effective July 7, 2015 and closed per Board Resolution on March 23, 2016. Management is responsible for recording transactions; and management, the Board, and the Sponsor are responsible for complying with the Closing Procedure requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. 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. In addition, we have audited, in accordance with standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Academy for the period of July 1, 2014 to September 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 26, 2016.

Ohio Revised Code Section 3314.015 (E) states the department (of education) shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the School.

Ohio Department of Education, Community Schools Guidance Letter 2010-3 states sponsors must provide and execute a plan for an orderly wrap-up of a community school's affairs upon a permanent closure of a community school, preferably prior to the school closing its doors. A school is officially closed when instruction is no longer taking place and the governing authority or sponsor issues an official notice which states the date of the school's closure. The sponsor and a representative of the governing board are required to complete and sign the *Assurance to ODE Form*. The role of the sponsor in this process is to assure that the governing authority of the community school has taken required actions to properly address closing issues and/or to take those actions itself if the governing authority is no longer able or functioning. Inasmuch as a plan for school closure is a required part of the school's contract with the sponsor, final preparations as part of that plan should be in place prior to the last day students are in attendance.

Initial Notifications, Student Records and School Records

1. A school is officially closed when instruction is no longer taking place and the governing authority or sponsor issues an official notice which states the date of the school's closure.
 - a. We inspected the official notice from ODE on June 1, 2015, that the Academy would be suspended as of July 7, 2015. The Academy did not open their doors for the 2015-2016 school year. A Board Resolution for Academy closure was approved on March 23, 2016.

2. We inspected the formal letter from the school governing authority and the sponsor Regional Director notifying parents that the Academy was closing. We noted that this letter was dated within 24 hours of the action, and included: the reason for the closing of the Academy, options for enrolling in another community school, traditional schools or nonpublic schools and contact information. We noted no exceptions, except for we were unable to determine the date sent.
3. We inspected the notice of closing sent to the Ohio State Teachers Retirement System and School Employees Retirement System. We noted no exceptions.
4. We inquired of the Sponsor if they took control of and secured all Academy records, property and assets immediately when the Academy closed.
 - a. We scanned student records to determine if they were put in order and if transcript materials were produced.
 - b. We inspected the final FTE review by the Ohio Department of Education to determine that it was completed.
 - c. We inquired of the resident district(s) if copies of student records were provided by the community school, within seven business days of closure of the community school as defined in section 3314.44 of the revised code.
 - d. We inquired of the receiving school if special education records were provided for all students with disabilities.

The Sponsor took control of and secured all school records, property and assets upon suspension date. Transmission of records to applicable Districts took place upon the suspension date and/or upon record requisition date. We noted no exceptions.

5. We inspected the written notice to the Academy's staff from the governing authority of the decision to close the school. This notice included the following:
 - a. Provided a clear written timeline of the closing process;
 - b. Clarified COBRA benefits and when medical benefits end;
 - c. Reminded the faculty of their obligation to teach up to the date of closing or otherwise determine that the school is properly staffed up to the time of closing;
 - d. Provided sponsor contact information.

We noted no exceptions.

6. We confirmed that the Academy was current with their payments to the following retirement systems:
 - a. State Teachers Retirement System (STRS) – No exceptions were noted.
 - b. State Employees Retirement System (SERS) – The School had \$1,391.49 outstanding.

Disposition of Assets

1. We inquired if the governing authority retained the Treasurer or the Sponsor to oversee the remaining financial activity, and act as a receiver to oversee the closing of the financial records in the absence of a fiscal officer. We noted the Academy retained the Treasurer.
2. We inquired of the Academy and inspected the capital asset listing to determine if the Academy had any assets which had been purchased with federal dollars. The Academy does not formally maintain assets on their financial statements. The Management Company maintains and records all assets on behalf of the Academy. Per review of the Management Company's capital asset listing we identified no assets purchased with federal dollars.
3. We inquired of the Academy if they received computer hardware or software from the former Ohio SchoolNet commission or the former eTech Ohio commission. The Academy had no such computer hardware or software.

4. We obtained and scanned documentation showing:
 - a. The fair market (initial and amortized) value established via the capital assets policy, for all capital assets;
 - b. The listing of purchasers of assets with proper USAS codes, the price of each item, and the source of funds;
 - c. The established disposition plan for any remaining items;

The Management Company maintained a detailed listing of all capital assets with date purchased, amount, description and funds used to purchase the asset.

5. We inquired to identify:
 - a. What staff will have legal authority for payment processes (e.g. checks, cash, credit cards, etc.);
 - b. Any State Facilities Commission guarantees.

We noted no exceptions.

6. We inquired if the Academy had any real property acquired from a public school district. The Academy had no such property.

7. We inspected documentation that disposition of assets valued at \$5,000 or greater, purchased with Federal Title, and other consolidated and competitive funds, followed EDGAR liquidation procedures in 34 CFR 80.32. We noted the Academy did maintain assets valued at \$5,000 or greater, purchased with Federal Title, and other consolidated and competitive funds, and the school did follow the EDGAR liquidation procedures.

8. The Public Charter School Program (PCSP) assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP.

- a. We inspected the notice to other Community Schools regarding the offering of assets. The Management Company donated the assets to other community schools it manages.
- b. We also inspected Board resolutions or minutes approving the transfer of PCSP assets at no cost to another community school. We noted no exceptions.

9. For any PCSP assets not taken by other community schools, an auction sale must be held to dispose of the assets.

- a. We inspected the written notification to ODE's Office of Community Schools (OCS), in addition to the public media, including the date and location of the property disposition auction.
- b. We inspected documentation that disposition of any remaining PCSP assets valued at \$5,000 or greater followed EDGAR liquidation procedures in 34 CFR 80.32.
- c. We inspected board resolutions or minutes approving the transfer of certain assets at no cost to another school.
- d. We inspected the written report submitted to ODE OCS of the property sold at auction.
- e. We inspected Board resolutions approving any assets remaining after the auction were given to a public school district.

We noted the Academy donated all PCSP assets to other Management Company community schools, and no assets were disposed by sale of an auction.

10. We inquired of the Academy and inspected the capital asset listing to determine if the Academy had any assets which had been purchased with National School Lunch Program federal dollars. No such capital assets were noted.

11. We scanned the Academy's expenditure ledger to determine if they utilize only state dollars, auction proceeds, foundation dollars and any other non-federal dollars to pay the following, in order:

- a. Any outstanding federal or state claims that may need to be paid first including but not limited to including federal and state taxes, Medicare, Workers Compensation, and city wage taxes;
- b. STRS/SERS/retirement systems and other adjustments;
- c. Teachers and staff;

- d. Private creditors or those entities that have secured a judgment against the school, including audit preparation and audit costs (prepared financials);
- e. If the assets of the school are insufficient to pay all persons or entities to which compensation is owed, the prioritization of the distribution of the assets to individual persons or entities within each class of payees may be determined by decree of a court in accordance section 3314.074 and Chapter 1702 of the Ohio Revised Code.

We noted no exceptions.

12. We inspected the liabilities related to items in step 11 to determine if they were disclosed either on the entities September 30, 2015 year ended GAAP financial statements, or in the notes to the cash basis financial statements. All amounts disclosed at September 30, 2015 have been liquidated. The Academy had one remaining outstanding liability due to SERS in the amount of \$1,391.49.

Preparation of Itemized Financials

1. We scanned the following documents to determine such had been prepared:
 - a. Year-end financial activity;
 - b. Bank statements for the year;
 - c. List all unused checks (collect and void all unused checks);
 - d. List of bank accounts, closing the accounts once all transactions are cleared;
 - e. FTE review complete and submit a copy of the Certification Form signed at the FTE review.

We noted no exceptions.

Final Payments and Adjustments

1. The sponsor shall continually monitor the condition of the closed school and be prepared to receive or transmit funds on behalf of the school as directed by an appropriate agency. We inspected the Academy's ledgers to determine that:
 - a. Any funds received or adjustments were credited to the account of the closed school.
 - b. Any portion of any funds received, or adjustments, were applied to satisfy any remaining debt as allowable;
 - c. Any funds remaining were sent to the Ohio Department of Education, Office of Policy and Payments, for final disposition.

We noted no exceptions.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Academy's compliance with the Ohio Department of Education's Close-Out Procedures. Accordingly, we do not express 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 management, the School's sponsor, the Ohio Department of Education, those charged with governance, the Auditor of State, and others within the School, and is not intended to be, and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
December 21, 2016



Dave Yost • Auditor of State

IMAGINE CLEVELAND 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
FEBRUARY 16, 2017**