

**Center for Student Achievement
Jackson County, Ohio**

Final Audit

Basic Financial Statements – Cash Basis

June 30, 2017

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Directors
Center for Student Achievement
450 Vaughn Street
Jackson, Ohio 45640

We have reviewed the *Independent Auditors' Report* of the Center for Student Achievement, Jackson County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Center for Student Achievement 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 16, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Center of Student Achievement
450 Vaughn Street
Jackson, Ohio 45640

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the business-type activities of the Center for Student Achievement, Jackson County, Ohio (the Center), a component unit of the Jackson City School District, Jackson County, Ohio as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center'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 the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities of the Center, as of June 30, 2017, the respective changes in cash financial position and cash flows for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

Ohio Administrative Code Section 117-2-03(B) requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter - Closure of Center

As disclosed in Note 8, the Center ceased operations permanently as of June 30, 2017. Subsequent to fiscal year end, all liabilities were settled and remaining assets of the Center were transferred to the Sponsor, Jackson City School District, in accordance with the Closure Agreement entered into by the Center, Jackson City School District, and the Ohio Department of Education.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Center's basic financial statements. The management's discussion and analysis section (pages 3-5) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The management's discussion and analysis section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's 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 Center's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2017

The discussion and analysis of the Center for Student Achievement's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2017, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and related note disclosures to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Total net cash position decreased \$36,393 from fiscal year 2016.
- Operating receipts accounted for \$232,729 in receipts or 84.6 percent of all receipts. Non-operating receipts, consisting of interest income and intergovernmental revenue accounted for \$42,211 or 15.4 percent of total revenues of \$274,940.

Using the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Center's Cash Financial Statements. The Center's financial statements are composed of two components: 1) entity-wide financial statements, and 2) notes to the financial statements.

The *Statement of Net Position - Cash Basis* presents information on all of the Center's cash assets, presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the cash position of the Center is improving or deteriorating.

The *Statement of Receipts, Disbursements and Changes in Net Position - Cash Basis* presents information showing how the Center's net position changed during the most recent fiscal year. All changes in net position are reported as soon as cash is received or disbursed not when the underlying event giving rise to the change occurs.

The *Statement of Cash Flows – Cash Basis* provides information about how the Center finances and meets the cash flow needs of its proprietary activities.

The Center uses enterprise presentation for all of its activities.

As noted earlier, net position – cash basis may serve over time as a useful indicator of a government's financial position. The Center has chosen to report on an Other Comprehensive Basis of Accounting in a format similar to that required by Governmental Accounting Standard Board Statement No. 34.

Center for Student Achievement
Jackson County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 1 provides a summary of the Center's net position – cash basis reported at June 30, 2017 compared to one year prior:

**TABLE 1
NET POSITION - CASH BASIS**

	2017	2016	Change
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 146,925	\$ 183,318	\$ (36,393)
Net Position - Cash Position:			
Unrestricted	146,925	183,318	(36,393)
Total Net Position - Cash Position	\$ 146,925	\$ 183,318	\$ (36,393)

Net position – cash basis decreased \$36,393, which is due to primarily to the decrease in enrollment and anticipated closing of the Center at the end of the fiscal year.

Table 2 reflects the changes in net position – cash basis for the fiscal year ended June 30, 2017, and comparisons to fiscal year 2016.

**TABLE 2
CHANGES IN NET POSITION - CASH BASIS**

	2017	2016	Change
Operating Receipts			
Foundation	\$ 231,970	\$ 342,473	\$ (110,503)
Other	759	90	669
Total Operating Receipts	232,729	342,563	(109,834)
Operating Disbursements			
Contractual Services	286,712	436,283	(149,571)
Materials and Supplies	24,621	29,122	(4,501)
Total Operating Disbursements	311,333	465,405	(154,072)
Operating Loss	(78,604)	(122,842)	44,238
Non-Operating Receipts			
	42,211	32,280	9,931
Change in Net Position - Cash Basis	(36,393)	(90,562)	54,169
Net Position - Cash Basis, Beginning of Year	183,318	273,880	(90,562)
Net Position - Cash Basis, End of Year	\$ 146,925	\$ 183,318	\$ (36,393)

Net position – cash basis decreased by \$36,393 from fiscal year 2016 to fiscal year 2017. A decrease in operating receipts of \$109,834 was due to a decrease in enrollment. Operating disbursements decreased \$154,072 due to the anticipated closure of the Center and reduction of contractual obligations.

Debt

The Center did not incur any debt during fiscal year ended June 30, 2017.

Current Issues

The Ohio Department of Education, Jackson City School District (Sponsor), and the Center for Student Achievement entered into a settlement agreement to close the Center at the end of the 2016-2017 school year. The Center ceased operations on June 30, 2017. In accordance with the above noted agreement, the remaining assets of the Center, after settlement of all obligations outstanding, were transferred to the Sponsor, Jackson City School District in accordance with the settlement agreement.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Rachel Strawser, Treasurer, at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.

Center for Student Achievement
Jackson County, Ohio
Statement of Net Position - Cash Basis
June 30, 2017

Assets	
Equity in pooled cash and cash equivalents	<u>\$ 146,925</u>
Total Assets	<u><u>\$ 146,925</u></u>
Net Position	
Unrestricted	<u>\$ 146,925</u>
Total Net Position	<u><u>\$ 146,925</u></u>

See accompanying notes to the basic financial statements.

Center for Student Achievement
Jackson County, Ohio

Statement of Receipts, Disbursements and Changes in Net Position - Cash Basis
For the Fiscal Year Ended June 30, 2017

Operating Receipts		
Foundation	\$	231,970
Other		<u>759</u>
Total Operating Receipts		<u>232,729</u>
Operating Disbursements		
Contractual Services		286,712
Materials and Supplies		<u>24,621</u>
Total Operating Disbursements		<u>311,333</u>
Operating Loss		(78,604)
Non-Operating Receipts		
Interest Income		99
Intergovernmental Grants		<u>42,112</u>
Total Non-Operating Receipts		<u>42,211</u>
Change in Net Position		(36,393)
Net Position, Beginning of Year		<u>183,318</u>
Net Position, End of Year	\$	<u><u>146,925</u></u>

See accompanying notes to the basic financial statements.

Center for Student Achievement
 Jackson County, Ohio
 Statement of Cash Flows - Cash Basis
 For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Foundation Receipts	\$ 231,970
Other Operating Receipts	759
Cash Payments to Suppliers for Goods and Services	<u>(311,333)</u>
Net Cash Used for Operating Activities	<u>(78,604)</u>
Cash Flows from Noncapital Financing Activities:	
Intergovernmental Grants	<u>42,112</u>
Cash Flows from Investing Activities:	
Interest Income	<u>99</u>
Net Decrease in Cash and Cash Equivalents	(36,393)
Cash and Cash Equivalents, Beginning of Year	<u>183,318</u>
Cash and Cash Equivalents, End of Year	<u>\$ 146,925</u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	<u>\$ (78,604)</u>

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Center for Student Achievement (the Center) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Center's tax exempt status. The Center's mission is to serve K through 12 students who may be underperforming or are not optimally integrated in their present educational setting, or who seek a more challenging experience than is available in their present educational setting, and who for these or other reasons are interested in pursuing an alternative schooling option. The students will include, but will not be limited to, home schooled children, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Jackson City School District, the sponsor school district, that desire a specific course not currently offered but is available through long distance learning.

The Center was created on April 28, 2005, by entering a three-year contract with the Jackson City School District (the Sponsor). A contract was entered into on June 24, 2008, which extended service through June 30, 2013. On May 7th, 2013, a new contract was entered into, which extended service through June 30, 2018, however, as disclosed in more detail in Note 8 to these financial statements, the Center ceased operations as of June 30, 2017 based on an agreement between Ohio Department of Education, the Sponsor, and the Center. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor fulfilling the role of Treasurer for the Center.

The Center operates under the direction of a five-member Board of Directors made up of elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the Center and one or more parents and community civic leaders. The Sponsor appoints a majority of the Board and is able to impose its will on the Center. As a result, the Center is reported as a discretely presented component unit of the Jackson City School District.

The Sponsor can suspend the Center's operations for any of the following reasons: 1) The Center's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Center's failure to meet generally accepted standards of fiscal management, 3) The Center's violation of any provisions of the contract with the Sponsor or applicable State or Federal law, or 4) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Center and the children it serves.

Summary of Significant Accounting Policies

The financial statements of the Center are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Center's accounting policies.

Basis of Presentation

The Center's basic financial statements consist of a statement of net position – cash basis; a statement of receipts, disbursements and changes in net position – cash basis; and a statement of cash flows – cash basis.

The Center uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income(loss), changes in net cash position, net cash position, and cash flows.

Measurement Focus and Basis of Accounting

Except for modifications having substantial support, receipts are recorded in the Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the Center are described in the appropriate section in this note.

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

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 Section 5705, unless specifically provided by the Center's contract with the Sponsor. The contract between the Center and its Sponsor prescribes the Center follow all budgetary provisions set forth in Ohio Revised Code Section 5705.

Cash and Cash Equivalents

Cash received by the Center is reflected as "equity in pooled cash and cash equivalents" on the statement of net position. The Center had no investments during the fiscal year ended June 30, 2017.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the Center's financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Center has no amounts restricted.

Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the Center. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Center. All receipts and disbursements not meeting this definition are reported as non-operating.

NOTE 2 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Center prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit certain assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, and disclosures that, while material, cannot be determined at this time.

NOTE 3 - DEPOSITS

Monies held by the Center are classified by State statute into three categories.

Active Monies – These monies are determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – These monies are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Center may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, none of the Center's bank balance of \$148,431 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 4 - RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the Center contracted with Liberty Mutual Insurance for insurance coverage, as follows:

Coverage	Deductible	Limits of Coverage
Business Property	\$ 1,000	\$ 67,744
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Aggregate Limit	0	2,000,000
Employee Benefits Liability:		
Each Occurrence	1,000	1,000,000
Aggregate Limit	1,000	3,000,000
Vehicles - Bodily Injury:		
Any One Accident	0	1,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage amounts from those of the prior fiscal year.

NOTE 5 – PURCHASED SERVICES

For the period July 1, 2016, through June 30, 2017, the Center had expenses of \$286,712 for professional and technical services.

NOTE 6 – RELATED PARTY TRANSACTION

The five members of the Center's Board of Directors are appointed by the Superintendent of Jackson City School District, the Sponsor. The Center is reported as a component unit of the Sponsor. In fiscal year 2017, the Center made payment to the Sponsor totaling \$254,816 for professional and technical services related to reimbursement for services provided to the Center by the Sponsor.

NOTE 7 - CONTINGENCIES

Grants

The Center 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 Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2017.

Litigation

There were currently no matters in litigation with the Center as defendant.

Full-Time Equivalency Review

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the end of the fiscal-year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Center for fiscal-year 2017. As a result of this review, ODE concluded the Center received \$38,996 in Foundation funding in fiscal-year 2017 which it was not entitled to receive. The Center did not appeal this decision and made payment in this amount to ODE on September 22, 2017. In addition, during fiscal year 2017, the Foundation funding received by the Center was adjusted by \$23 and \$(2,607) for reviews of fiscal years 2015 and 2016, respectively, completed during fiscal year 2017.

NOTE 8 – CLOSURE OF CENTER FOR STUDENT ACHIEVEMENT

On February 13, 2017, the Jackson City School District and the Center for Student Achievement approved a joint resolution of intent to close the Center permanently and transfer the assets of the Center to the Jackson City School District Board of Education, for Board use, in its discretion, to offer such educational opportunities as determined by the Board to students of Jackson City School District. The Center, School District, and ODE entered into a Settlement Agreement (closure agreement) which among other items, specified the following:

1. Agree the District may retain and continue community school sponsorship authority until June 30, 2017, after which time the District will relinquish such authority and the Center will close.
2. The Center shall cease operations as a community school on or before June 30, 2017, unless otherwise agreed in writing by the parties.
3. The Center's educational program (dropout prevention and recovery) and assets of any kind shall be transferred to the District for use by the District in operating the educational program, with such modifications, if any, as determined by the District, or for such other educational uses as determined by the District, subject to the following conditions.
 - a) The District assumes all Center's liabilities to any person or entity other than the District, except that the total liability assumed by the District shall not exceed the total value of the Center's assets at the time of transfer to the District.

- b) Maximum Center liability to ODE pursuant to ORC Section. 3314.08 for fiscal year 2017 will be capped to the total value of the Center's assets at the time of transfer to the District and if capped, reduced by the same percentage as the percentage of the Center's full-time equivalents that is attributable to the Center's students that reside in the District.
 - c) District shall comply with all limitations imposed by ORC Section 3314.074(B) and the conditions of all grants to the Center regarding the disposition of property acquired with grant funds.
4. The District shall have all authority, and shall complete all of its obligations as sponsor of the Center, under ODE's Community School Suspension and Closing Procedures, updated July, 2015 ("Closing Procedures"), including the obligations that the governing authority of the Center is unwilling or unable to execute, even if such obligations extend beyond July 1, 2017, (a) except with respect to assets already distributed to the District pursuant to this agreement and (b) provided that if there are remaining unencumbered funds payable to ODE pursuant to paragraph 45 of such Closing Procedures, the payment of remaining funds payable to ODE for redistribution shall be reduced by the same percentage as the percentage of the Center's FTE that is attributable to the Center's students who reside in the District. Similarly, ODE acknowledges that the assets of the Center include the accounts receivables and, after June 30, 2017, ODE shall pay to the District any payments otherwise owed to the Center, but for the Center's closure.

Below is a summary of the Center's financial activity subsequent to fiscal year end through November 30, 2017.

Receipts:	
Intergovernmental	\$ 1,622
Interest Earnings	<u>22</u>
Total Receipts	<u>1,644</u>
Disbursements:	
Contractual Services	22,575
Miscellaneous	1,687
Refund of Prior Receipts	<u>38,996</u>
Total Disbursements	<u>63,258</u>
Receipts (Under) Disbursements	(61,614)
Cash Balance, July 1, 2017	<u>146,925</u>
Cash Balance, November 30, 2017	<u>\$ 85,311</u>

As of November 30, 2017 the bank and book balance of the Center totaled \$85,311. The Center completed the necessary close-out procedures required by ODE and the closure agreement and on November 30, 2017 the Center issued a check totaling \$85,311 to Jackson City School District to reduce the Center's bank and book balance to \$0.

**INDEPENDENCE AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Center of Student Achievement
450 Vaughn Street
Jackson, Ohio 45640

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Center for Student Achievement, Jackson County, Ohio (the Center), a component unit of the Jackson City School District, Jackson, County, Ohio as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 29, 2017, wherein we noted the Center prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America, and the Center ceased operations as of June 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings and responses, as item Finding 2017-002 and Finding 2017-003, which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings and responses as item 2017-001.

Center's Response to Findings

The Center's response to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2017

2017-001: Reporting Annual Financial Statements

Condition: The Center's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Criteria: Ohio Administrative Code Section 117-2-3(B) requires the Center to prepare its annual financial report in accordance with GAAP.

Effect: Pursuant to Ohio Rev. Code Section 117.38 the Center may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

Cause: Due to current economic issues, the Center elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendation: We recommend the Center further consider reporting its annual financial report in accordance with GAAP.

Management Response: The Center for Student Achievement prepares an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement No. 34. An OCBOA report is accepted by the American Institute of Certified Public Accountants. Board Resolution number 118-03 gave the fiscal officer permission to prepare OCBOA statements because they are more cost beneficial.

2017-002: Student Files

Condition: The Center did not maintain proper documentation in student files.

Criteria: Ohio Rev Code Section 3317.034(B) states that a student shall be considered to be enrolled in the district for the period of time beginning on the date on which the school has both received the documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities offered by the district.

Effect: Risk of the school having these students enrolled when they may not actually be enrolled, thus causing an increase in funding for the school district under a misconception.

Cause: Enrollment forms are initiated at Jackson City School's central office and often the paperwork does not get transferred to the student's files timely.

Recommendation: We recommend the Center maintain proper documentation in the student files.

Management Response: The Center for Student Achievement has closed, therefore this will no longer be an issue.

2017-003: Student Files

Condition: The Center did not maintain proper documentation in student files.

Criteria: Ohio Rev Code Section 3313.672 states that at the time of initial entry to a public or nonpublic school, a pupil shall present to the person in charge of admission any records given the pupil by the public or nonpublic school, including a birth certificate.

Effect: Failure to maintain proper records could result in noncompliance with the Center's Record Retention Policy and have a potential impact upon the Center's funding.

Cause: These records are initiated at Jackson City School's central office and often the paperwork does not get transferred to the student's files timely.

Recommendation: We recommend the Center maintain proper documentation in the student files.

Management Response: The Center for Student Achievement has closed, therefore this will no longer be an issue.

Finding 2016-001: Report Annual Financial Statements

The Center elected not to report on the GAAP basis of accounting as required under the Ohio Administrative Code Section 117-2-3(B).

Status: Uncorrected – See audit finding 2017-001.

Finding 2016-002: Blended Learning

The Center did not declare to the Ohio Department of Education (ODE) that they were operating as a “blended learning” environment during the 2015-2016 school year until after the school year was over.

Status: Corrected.

Finding 2016-003: Enrollment Forms

Twenty percent of newly enrolled students had enrollment forms that were not signed prior to participation in the Center.

Status: Uncorrected – See audit finding 2017-002.

Finding 2016-004: Student Files

The Center did not include a birth certificate for 40% of students tested and 60% of the students tested did not have a proof of residency documentation in the student’s personnel file.

Status: Uncorrected – See audit finding 2017-003.

Finding 2016-005: Non-classroom Hours

The student’s participation was split between hours of physical attendance in the classroom and non-classroom learning opportunities. The Center did not sufficiently maintain records to substantiate non-classroom hours for each student.

Status: Corrected.





Dave Yost • Auditor of State

CENTER FOR STUDENT ACHIEVEMENT

JACKSON 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
MARCH 1, 2018**