



Dave Yost • Auditor of State

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Lawrence County Academy
Lawrence County
304 N. 2nd Street
Ironton, Ohio 45638

To the Members of the Board of Directors:

We have selectively tested certain accounts, financial records, reports and other documentation of the Lawrence County Academy, Lawrence County, (the Academy), as of and for the year ended June 30, 2014. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Emphasis of Matter

As discussed in Note 11 to the financial statements, a settlement agreement was signed stating the Lawrence County Academy will close as of June 30, 2017.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider Findings 2014-001 through 2014-004, and 2014-007 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Academy, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts, that we reported in the Schedule of Findings as items 2014-001, 2014-002, 2014-005 through 2014-006 and 2014-008.

Academy's Response to Findings

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

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

March 14, 2018

LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2014-001

Noncompliance and Internal Control

Ohio Admin. Code § 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code § 117-2-02(D), accounting records that can help achieve these objectives include:

- Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
- Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Academy lacked management controls to maintain an accounting system and accounting records sufficient to enable the Academy to identify, assemble, analyze, classify, record and report its transactions and prepare financial statements as evidenced by the following conditions:

Inaccurate Reconciliations

The Academy utilized the South Central Ohio Computer Association (SCOCA) accounting system which provides all of the required journals and ledgers. The SCOCA accounting software also includes a monthly reconciliation process to assist the Academy's fiscal agent in the monthly book to bank reconciliation. However, the monthly reconciliations included in the accounting records were not accurate. The Academy started in fiscal year 2014, and the Treasurer of the Lawrence County Educational Service Center (the Center) acted as the fiscal agent for the Academy.

The Academy contracted with the Center for purchased services. The Center maintained two special cost centers within its General Fund to account for the expenditures that they billed the Academy for along with monies received from the Academy for those purchased services. However, the Academy's bank account was included in the Center's reconciliation at June 30, 2014 along with the Center's two bank accounts and the two bank accounts of the Lawrence County Schools Council of Governments (which used the Center as a fiscal agent and was shown as an Agency Fund on the Center's financial statements). There was no accurate reconciliation performed between the Academy's bank account balance and the Academy's SCOCA accounting system, resulting in the following conditions:

**FINDING NUMBER 2014-001
(Continued)**

- Memo checks (check numbers 15002 - 15004, issued on June 30, 2014) to the Center, totaling \$65,852 were posted to the Academy's SCOCA accounting system; however, the wire transfers were not made to move the monies from the Academy's bank account to the Center's bank account until January 30, 2015. These items represented outstanding checks and should have been recorded as outstanding checks on the reconciliations through January 30, 2015.
- The June 2014 reconciliation was not prepared in the accounting system until September 2014. We further noted that the SCOCA accounting system was not closed out for fiscal year 2014 until September 30, 2014. The year-end reports, dated September 30, 2014, were used in the reconciliation. However, when we obtained year-end reports from the SCOCA accounting system in February 2015, we noted that the year-end reports were dated December 30, 2014 and that the June 30, 2014 fund balance had changed from \$445,838 to \$440,795, a decrease of \$5,043. Upon further inspection of the Financial Detail Report year-end report, we determined that there was a correcting receipt dated June 30, 2014 which showed a reduction in receipts of \$5,043 to correct for a duplicate receipt posting from October 2013.

As a result of these types of errors, reconciliations provided to the Board of Directors were not accurate.

Inaccurate Financial Reporting

The Academy's fiscal agent initially tracked the Academy's financial activity in the Center's SCOCA accounting system in separate special General Fund cost centers (SCCs 9913 and 9914), and therefore comingled the Academy's financial activity with the Center's financial activity. The Center's Treasurer included the Academy's bank account in the monthly reconciliation of the Center.

In co-mingling financial information, the Center's Treasurer was unable to accurately track and calculate the exact amount of Intergovernmental Payable owed by the Academy to the Center at June 30, 2014. Furthermore, the Center charged the Academy for unallowable expenditures totaling \$92,906 and charged \$1,500 in expenditures to the Academy that should have been charged to the Lawrence County Schools Council of Governments [See Finding Numbers 2014-005 and 2014-006]. As a result, the Academy's Intergovernmental Payable and Purchased Services expenditures were overstated by \$146,139. The Academy has corrected the financial statements.

We recommend the Academy's fiscal agent prepare the monthly book-to-bank reconciliation in a timely manner. We also recommend the Academy's fiscal agent immediately follow-up on any discrepancies noted in the reconciliation process. This will allow the Academy to maintain accurate records which the Board can rely on for budgeting and planning purposes. Furthermore, we recommend the Academy's fiscal agent close out the fiscal year in a timely manner.

Officials' Response:

The Academy closed June 30, 2017.

FINDING NUMBER 2014-002

Noncompliance and Internal Control

Ohio Rev. Code §3314.03 (D) states that the contract shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.05 of the Ohio Revised Code and shall include the following:

- (1) Monitor the community school's compliance with all laws applicable to the school and with the terms of the contract;
- (2) Monitor and evaluate the academic and fiscal performance and the organization and operation of the community school on at least an annual basis;
- (3) Report on an annual basis the results of the evaluation conducted under division (D)(2) of this section to the Department of Education and to the parents of students enrolled in the community school;
- (4) Provide technical assistance to the community school in complying with laws applicable to the school and terms of the contract;
- (5) Take steps to intervene in the school's operation to correct problems in the school's overall performance, declare the school to be on probationary status pursuant to Section 3314.073 of the Ohio Revised Code, suspend the operation of the school pursuant to Section 3314.072 of the Ohio Revised Code, or terminate the contract of the school pursuant to Section 3314.07 of the Ohio Revised Code as determined necessary by the sponsor; and
- (6) Have in place a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year.

The Lawrence County Educational Service Center (the Center) entered into a contract with the Lawrence County Academy (the Academy) on May 10, 2013 wherein the Center agreed to be the sponsor for the Academy, a conversion community school.

The responsibilities of the Center as listed in Article V of the contract include, but are not limited to, the following:

- Monitor the Academy's compliance with all applicable laws to the Academy and with the terms of the contract;
- Monitor and evaluate the academic and fiscal performance and the organization and operation of the Academy on at least an annual basis;
- Provide technical assistance to the Academy in compliance with the laws applicable to the Academy and the terms of the contract.

Exhibit 3 of the contract (Management and administration plan for the Academy) states that the Academy Board of Directors utilizes the services of the Center as the qualified fiscal officer. The Center's Treasurer was appointed to be the fiscal agent/treasurer of the Academy on August 9, 2013.

**FINDING NUMBER 2014-002
(Continued)**

Ohio Attorney General Opinion 2010-020 States in part that a person may serve simultaneously in the positions of treasurer of a school district and treasurer or fiscal officer of a conversion community school sponsored by the school district when the position of treasurer or fiscal officer of the community school is a separate and distinct employment position with the community school. In his capacity as treasurer of the school district he may *not participate, either directly or indirectly, in (1) reviewing or evaluating the finances or financial records of the community school as part of the district board of education's oversight of the community school or (2) overseeing the provision of technical services to the community school.*

We identified the following noncompliance and internal control issues related to the contract:

- Contrary to Ohio Attorney General Opinion 2010-020, the contract Article V (C) of the contract states that a representative of the Center shall meet with the Board of Directors or *Treasurer of the Academy* and shall review the financial and enrollment records of the Academy at least once every month. However, there was no evidence that anyone from the Center not directly involved with the Academy participated in the review or evaluation of the finances or financial records of the Academy.
- The Academy's fiscal agent provided the Board with a monthly Academy Activity Report which showed beginning and ending balances along with deposits for the month and to date along with expenditures; however, the information contained in the monthly financial reports was inaccurate and did not contain all activity of the Academy. The June 2014 Activity Report showed fiscal year 2014 purchased services expenditures of \$222,593 when expenditures were actually \$304,675.
- The Center's Treasurer, acting as fiscal agent for the Academy, prepared requisitions, purchase orders and invoices for services that the Academy purchased from the Center. The Center's Treasurer established two special cost centers within the Center's General Fund (SCCs 9913 and 9914) to track Academy expenditures and determine amounts to bill the Academy for the services provided by the Center. However, the Center's Treasurer also posted the Academy's state foundation monies, casino monies and interest earned on the Academy's bank account as receipts in the Center's General Fund cost center (001-9913). After opening a separate SCOCA accounting system for the Academy during fiscal year 2014, the Center's Treasurer failed to adjust those receipts out of the Center's special cost center. Also, the Center's Treasurer recorded wire transfers from the Academy's bank account to the Center's bank account for services provided by the Center, and failed to post charges for services receipts in the Center's General Fund special cost center (001-9913) which resulted in an inaccurate cash balance in the Center's General Fund. Therefore, the Center's Treasurer was unable to determine how much the Academy owed the Center and the financial information being reported to the Academy Board was inaccurate.

We recommend that a representative of the Center not directly involved with the Academy participate in reviewing or evaluating the finances or financial records with the Academy Board. We further recommend the Academy's fiscal agent provide the Academy Board with accurate financial information from the Academy's SCOCA accounting system to allow for monitoring of fiscal performance.

Officials' Response:

The Academy closed June 30, 2017.

FINDING NUMBER 2014-003

Internal Control

The Lawrence County Educational Service Center (the Center) entered into a contract with the Lawrence County Academy (the Academy) on May 10, 2013 wherein the Center agreed to be the sponsor for the Academy, a conversion community school. Article VI of the sponsorship contract states, in part, the following:

- If and as agreed by the parties, the Academy shall purchase special education and related services from the Center;
- If the Center provides or secures fiscal services for the Academy, the Academy shall pay the Center for such services agreed upon by them;
- If the Center performs payroll functions for the Academy, the Academy shall reimburse the Center for the actual costs incurred by the Center in compensating and providing benefits to the Academy employees, together with any fees reasonably assessed by the Center;
- If and as agreed by the parties, the Academy shall purchase other services from the Center, which services may include but not be limited to educational administrative, fiscal, technological, EMIS and/or other services;
- As permitted by applicable law, including Section 3314.03(C) of the Ohio Revised Code, the Academy may periodically, in the discretion of its Board of Directors, elect to make additional payments to the Center for any other purposes which the Board of Directors, in its exclusive discretion, deems appropriate, except that the Academy shall not make payments to the Center for the Center's oversight and monitoring of the Academy in excess of three percent of the total amount of payments for operating expenses that the Academy receives from the State. Conversely, the Center may, in the discretion of its governing board, periodically elect to utilize local funds to make enhancements grants to the Academy for any purpose which the governing board, in its exclusive discretion, deems appropriate.

Based on Article VI of the sponsorship contract, the Center agreed to provide staffing to the Academy wherein the Center hired the Director/Superintendent and other staff (with the Academy Board's approval) and pay related expenses. The Center was to then bill the Academy for expenses incurred. The Academy issued five memo expenditures (memo checks #15000-15004), totaling \$304,675, which all relate to the services that the Academy purchased from the Center.

We identified the following conditions related to payments from the Academy to the Center:

- None of the requisitions for the five memo expenditures were signed/approved by the Academy's fiscal agent (i.e. the Center's Treasurer), the Academy's Chief Executive Officer (i.e. the Center's Superintendent) or the Academy's Director/Superintendent. Furthermore, there was no evidence on the invoices that anyone approved them. The minutes of the Academy's Board provided no evidence that the Board reviewed or approved the expenditures. Also, the Academy's fiscal agent provided the Board with monthly financial activity reports that were not system-generated and, specifically, the June 2014 Activity Report expenditures provided to the Board did not match the SCOCA accounting system. As a result, what the Academy's Board was reviewing inaccurate expenditure activity.

FINDING NUMBER 2014-003
(Continued)

- The Academy's fiscal agent did not maintain documentation for the amount charged by the Center for services provided to the Academy. Related invoices only showed a total dollar amount along with the description "Purchased Services."
- The Academy received reimbursement from Federal Grant monies for three expenditures for which they provided no detailed support. The only support provided was a memo check:
 - Memo check #15002, dated June 30, 2014, in the amount of \$38,234, to the Center for purchased services. The Academy was reimbursed with Title I Federal monies (CFDA #84.010). The disbursements support included the project cash request that was submitted to the Ohio Department of Education for the Academy which showed that cash basis expenditures of the Academy as of June 12, 2014 totaled \$34,874 for Title I and that the total amount requested was \$38,234. There were no disbursements recorded for Title I until the above memo check was posted on June 30, 2014.
 - Memo check #15003, dated June 30, 2014, in the amount of \$363, to the Center for purchased services. The Academy was reimbursed with Improving Teacher Quality - Title II-A Federal monies (CFDA #84.367).
 - Memo check #15004, dated June 30, 2014, in the amount of \$27,235, to the Center for purchased services. The Academy was reimbursed with Special Education - IDEA-B Federal monies (CFDA #84.027).
- The Center's Treasurer was also the fiscal agent for the Academy. The Academy's fiscal agent posted all the Academy payments to the Center to the SCOCA accounting system as memo checks, and wire transferred the check amount from the Academy's bank account to the Center's bank account. However, the date of the wire transfers did not coincide with the date of the memo checks: memo check #15000 was dated February 28, 2014 but the wire transfer from the Academy's bank account to the Center's bank account occurred on February 26, 2014; memo checks #15002 - 15004 were dated June 30, 2014 but the wire transfer from the Academy's bank account to the Center's bank account occurred on January 31, 2015.
- There was no segregation of duties related to the Academy's purchased services expenditures. The Center's Treasurer was the individual who tracked the purchased services expenditures for the Center, prepared the invoices from the Center to the Academy to bill them for the purchased services, prepared and posted the memo expenditures for the Academy, and wire transferred the monies from the Academy's bank account to the Center's bank account.

Without providing the detailed information of the purchased services and wire transferring the check amounts from the Academy's bank account to the Center's bank account, it was difficult to ensure that the memo expenditures were coded to the proper expenditure line items or whether expenditures were recorded in the proper period. Lack of segregation of duties could result in unauthorized and unsupported transactions and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

**FINDING NUMBER 2014-003
(Continued)**

We recommend the Board review and approve all expenditures prior to those transactions being made. We recommend that the Academy maintain support for all payments made to the Center. Finally, we recommend the Academy's fiscal agent only authorize wire transfers between bank accounts after the memo expenditure has been recorded in the accounting system.

Officials' Response:

The Academy closed June 30, 2017.

FINDING NUMBER 2014-004

Internal Control

The Academy minute record is the official record of Board meetings and should provide a complete and accurate description of Board proceedings. Board members should acknowledge their approval of the minute record through their signature.

We noted the following conditions related to the Academy's minute records:

- The minute record was not signed for any of the monthly Board meetings.
- While financial information was reviewed by the Board, there was no indication that official financial information was approved. Furthermore, the financial information reviewed by the Board prepared by the Academy's fiscal agent (the Treasurer of the Lawrence County Educational Service Center) was not accurate.
- The Academy's fiscal agent failed to provide the Board with disbursement information such as listing of disbursements and documentation to support how the purchased services billing was calculated since the Academy contracted with the Center for all purchased services.

This resulted in an inability to determine whether the minute record was accurate and complete and whether there was proper monitoring by the Academy's Board.

We recommend the minute record be signed by the Board President and the Academy's fiscal agent. We further recommend financial reports be presented to the Board for monitoring purposes, and the minute record document what items are being reviewed and approved. In order to effectively monitor the financial activity and condition of the Academy, we recommend the Academy's fiscal agent provide accounting system-generated reports to the Board on a monthly basis.

Officials' Response:

The Academy closed June 30, 2017.

FINDING NUMBER 2014-005

Finding for Recovery

The Lawrence County Academy contracted with the Lawrence County Educational Service Center (the Center) for all purchased services. In turn, the Center employed staff to work at the Academy. The Center tracked expenditures for Academy services in two special cost centers (SCCs 9913 and 9914) within the Center's General Fund. During fiscal year 2014, the Center had two employees who worked at the Center's special education cooperative (not related to the Academy) whose salaries and benefits totaling \$86,153 were charged to SCC 9913 and, therefore, erroneously billed to the Academy as purchased services. Special education cooperative expenditures were tested during the Special Audit performed by the Public Integrity Assurance Team of the Auditor of State that were deemed to not be posted properly. See the Special Audit report released by the Auditor of State for additional information on this matter. The Center also erroneously charged a \$775 disbursement charged for Erate consulting to the Academy.

On August 9, 2013, the Academy Board of Directors approved compensation in the amount of \$500 per month for Teresa Lawless, the Center's Treasurer, to act as fiscal agent. In addition to billing the Academy for the \$500 per month compensation, the Center also erroneously billed the Academy for some of Ms. Lawless' fringe benefits (e.g. SERS pick up, health insurance, life insurance, etc.) in the amount of \$5,978 for fiscal year 2014.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Lawrence County Educational Service Center in the amount of \$92,906, and in favor of Lawrence County Academy General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code §9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

The Center's Treasurer authorized the improper payments. The Lawrence County Educational Service Center's former Treasurer Teresa Lawless and her bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$92,906 (\$86,153 + \$775 + \$5,978) and in favor of the Lawrence County Academy General Fund to the extent that recovery is not obtained from the Lawrence County Educational Service Center.

Officials' Response:

The Academy closed June 30, 2017. The Finding for Recovery should be paid by the former Treasurer and/or her bonding company.

FINDING NUMBER 2014-006

Finding for Recovery

The Lawrence County Academy contracted with the Lawrence County Educational Service Center (the Center) for all purchased services. In turn, the Center employed staff to work at the Academy. The Center tracked expenditures for Academy services in two special cost centers (SCCs 9913 and 9914) within the Center's General Fund. During fiscal year 2013, the Center incurred costs related to the creation of the Academy that were then billed to the Academy as purchased services during fiscal year 2014. However, the Center was also the fiscal agent for the Lawrence County Schools Council of Governments (COG) and accounted for the COG finances in a General Fund special cost center. On July 28, 2013, the Center erroneously posted a \$1,500 COG disbursement to the Academy special cost center.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Lawrence County Schools Council of Governments in the amount of \$1,500, and in favor of the Lawrence County Academy General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code §9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

The Center's Treasurer authorized the improper payments. The Lawrence County Educational Service Center's former Treasurer Teresa Lawless and her bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$1,500 and in favor of the Lawrence County Academy General Fund to the extent that recovery is not obtained from the Lawrence County Schools Council of Governments.

Officials' Response:

The Academy closed June 30, 2017. The Finding for Recovery should be paid by the Treasurer and/or her bonding company.

FINDING NUMBER 2014-007

Internal Control

Timeliness of the SCOCA Accounting system Monthly Close-Outs

The Academy's fiscal agent initially tracked the Academy's activity in the fiscal agent's General Fund in a separate special cost center. Midway through fiscal year 2014, the Academy's fiscal agent set up a separate SCOCA accounting system for the Academy.

The Academy's fiscal agent did not perform the monthly close-outs of the Academy's SCOCA accounting system in a timely manner:

- August 2013 activity in the SCOCA accounting system was closed out on June 18, 2014
- September 2013 and October 2013 activity in the SCOCA accounting system was closed out on July 31, 2014
- November 2013, December 2013 and January 2014 activity in the SCOCA was closed out on August 1, 2014
- February 2014, March 2014, April 2014 and May 2014 activity in the SCOCA accounting system was closed out on August 7, 2014
- June 2014 activity in the SCOCA accounting system was originally closed out on September 30, 2014. It was then reopened, correcting entries made, and was closed again on December 30, 2014.

This delay in depositing and posting could result in inaccurate reporting and provide difficulty in monitoring of activity.

Timeliness of Deposits and Posting of Receipts

Public money collected by the Academy's fiscal agent should be deposited into a designated depository within a reasonable period of time and posted to the accounting system shortly after the time of receipt.

We noted the following receipts that were not posted to the accounting system in a timely manner:

- Receipt number 4943 in the SCOCA accounting system of the Academy's fiscal agent (receipt number 2 in the Academy's SCOCA accounting system) was listed in the accounting system with the date of September 6, 2013, in amount of \$16,250. The deposit slip and supporting documentation (consisting of a copy of the remittance advice from the State of Ohio, for state foundation monies, dated July 16, 2013) were included with the computerized receipt. The above check was not deposited into the designated depository until September 6, 2013. This receipt was not posted by the Academy's fiscal agent to the SCOCA accounting system until November 4, 2013 when the receipt was backdated to September 6, 2013.

**FINDING NUMBER 2014-007
(Continued)**

- Receipt number 4944 in the SCOCA accounting system of the Academy's fiscal agent (receipt number 3 in the Academy's SCOCA accounting system) was listed in the accounting system with the date of September 30, 2013, in the amount of \$16,250. The deposit slip and supporting documentation (consisting of a copy of the remittance advice from the State of Ohio, for state foundation monies, dated September 16, 2013) were included with the computerized receipt. The above check was not deposited into the designated depository until September 30, 2013. This receipt was not posted by the Academy's fiscal agent to the SCOCA accounting system until November 4, 2013 when the receipt was backdated to September 6, 2013.
- Receipt number 5023 in the SCOCA accounting system of the Academy's fiscal agent (receipt number 13 in the Academy's SCOCA accounting system) was dated in the accounting system as May 1, 2014, in the amount of \$55,229. The deposit slip and supporting documentation (consisting of a copy of the check and remittance advice from the State of Ohio, for state foundation monies, dated April 14, 2014) were included with the computerized receipt.

We noted the following receipts that were not deposited into the designated depository in a timely manner:

- In addition to the above receipt postings, we noted state foundation receipt number 4931 in the SCOCA accounting system of the Academy's fiscal agent (receipt number 13 in the Academy's SCOCA accounting system), in the amount of \$27,998, that was posted to the SCOCA by the Academy's fiscal agent on October 24, 2013; however, the receipt was backdated in the system to August 29, 2013.

Inaccurate USAS Receipts Coding

The State of Ohio provided the Academy's fiscal agent with monthly foundation reports that identified the source of funding and the USAS receipt code to which the receipts should have been posted. Foundation receipts for fiscal year 2014 were posted entirely to the General Fund USAS code 3110 (School Foundation Basic Allowance). However, according to the monthly foundation reports, the following amounts should have been posted to different receipt accounts:

- \$25,188 should have been posted to USAS code 3211 for Economic Disadvantaged Funding
- \$6,566 should have been posted to USAS code 3190 for Facilities Funding.

While all foundation receipts rolled into the Intergovernmental Revenue line item on the financial statements, the Ohio Department of Education indicated on the foundation receipt reports that those monies be posted to specific USAS codes for tracking.

We recommend the Academy's fiscal agent develop a procedure to timely deposit funds and to timely post all receipts received by the Academy to safeguard assets, increase the amount of interest which can be earned on the monies, provide for more accurate financial reporting and monitoring, and avoid the potential of deficit spending. We also recommend the Academy's fiscal agent perform month-end closings in timely manner. Finally, we recommend the Academy's fiscal agent post foundation receipts according to the USAS codes included on the foundation reports.

Officials' Response:

The Academy closed June 30, 2017.

FINDING NUMBER 2014-008

Noncompliance

Ohio Rev. Code Section 117.38 requires that GAAP-basis entities must file annual reports with the Auditor of State within 150 days of the fiscal year end. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled after the filing date; provided that the penalty payments shall not exceed seven hundred fifty dollars.

The Academy's fiscal year 2014 annual report was filed with the Auditor of State on November 30, 2014. The Academy requested and was granted a filing extension for its annual report through January 31, 2015. However, the Academy did not file its annual financial report for 2014 until March 30, 2015.

We recommend the Academy file the annual financial report with the Auditor of State within 150 days of the fiscal year end.

Officials' Response:

The Academy closed June 30, 2017.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of the Lawrence County Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2014. 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

- Total Assets were \$567,316.
- Total Liabilities were \$197,140.
- Total Change in Net Position was \$370,176.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and change in net position, and statement of cash flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net position—the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net positions – as reported in the Statement of Net Position – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during 2014?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is 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.

Table 1 provides a summary of the Academy's net position for fiscal year 2014. Since this is the first financial statement of the Academy, a comparison between years is not presented.

Table 1
Net Position

	2014
Assets	
Current Assets	\$ 567,316
Total Assets	<u>567,316</u>
Liabilities	
Current Liabilities	<u>197,140</u>
Total Liabilities	<u>197,140</u>
Net Position	
Unrestricted	<u>370,176</u>
Total Net Position	<u>\$ 370,176</u>

Total assets totaled \$567,316. Cash and cash equivalents amounted to \$501,484. Intergovernmental Receivables amounted to \$65,832, consisting primarily of receivables from federal grants.

The most significant liabilities were payable to the Lawrence County Educational Service Center, the Academy's sponsor.

The \$370,176 in unrestricted net position represents the accumulated results of the current year's operations, due to this being the first year for the Academy. The operating results of the Academy will have a significant impact on the change in unrestricted net position from year to year.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Table 2 shows the changes in net position for fiscal year 2014. Since this is the first financial statement of the Academy, a comparison between years is not presented.

Table 2
Change in Net Position

	2014
Revenues	
Operating Revenues:	
Foundation Payments	\$ 806,153
Non-Operating Revenues:	
Interest	6
Federal Grants	65,832
Total Revenues	871,991
Expenses	
Operating Expenses	
Purchased Services	499,815
Materials and Supplies	2,000
Total Expenses	501,815
Change in Net Position	370,176
Net Position at Beginning of Year	-
Net Position at End of Year	\$ 370,176

During the 2013-2014 school year, there were approximately 71 students enrolled in the Academy. Per pupil base formula amount for fiscal year 2014 amounted to \$5,745 per student.

The Academy's business-type activities consist of enterprise activity. Community Schools receive no support from tax revenues.

Most expenses are purchased services. Per contract, the Academy remits 3% of the monies received from the State to the Lawrence County Educational Service Center for administrative costs. The remaining purchased services amount was paid to the Educational Service Center for additional purchased services to provide instruction and other costs. See Note 8 for more detail.

Capital Assets and Long-Term Debt

At June 30, 2014, the Academy had no capital assets or long-term debt.

Current Financial Issues

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 92% of revenue is from the foundation allowance, while 7.6% is comprised of federal operating grant funds, and less than 1% is interest. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenues. The impact on the Academy of the State's projected revenue is not known.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives to all vested and interest parties. If you have questions about this report or need additional information, contact Brenda Hill at the Lawrence County Educational Service Center, 304 N. 2nd Street, Ironton, Ohio 45638.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 501,484
Intergovernmental Receivables	<u>65,832</u>

Total Assets	<u>567,316</u>
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Liabilities:

Current Liabilities

Intergovernmental Payable	<u>197,140</u>
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Total Liabilities	<u>197,140</u>
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Net Position:

Unrestricted	<u>370,176</u>
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Total Net Position	<u><u>\$ 370,176</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating Revenues:	
Foundation Revenue	\$ 806,153
Total Operating Revenues	<u>806,153</u>
Operating Expenses:	
Purchased Services	499,815
Materials and Supplies	2,000
Total Operating Expenses	<u>501,815</u>
Operating Income	<u>304,338</u>
Non-Operating Revenues:	
Interest	6
Grants- Federal	65,832
Total Non-Operating Revenues	<u>65,838</u>
Change in Net Position	370,176
Net Position at Beginning of Year	<u>0</u>
Net Position at End of Year	<u><u>\$ 370,176</u></u>

See Accompanying Notes to the Basic Financial Statements.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities:	
Cash Received from State foundation	\$ 806,153
Cash Payments to suppliers for goods and services	<u>(304,675)</u>
Net Cash Provided by Operating Activities	<u>501,478</u>
Cash Flows from Investing Activities:	
Interest	<u>6</u>
Net Increase in Cash and Cash Equivalents	501,484
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 501,484</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 304,338
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Liabilities:	
Increase in Intergovernmental Payable	<u>197,140</u>
Total Adjustments	<u>197,140</u>
Net Cash Provided by Operating Activities	<u><u>\$ 501,478</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Lawrence County Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy’s objective is to enhance and facilitate student learning among non-traditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of the individual students. The Academy, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

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. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3% percent of the total state funds received each year to the Sponsor.

The Academy operates under the direction of a seven member board of directors. The board of directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The governing board has entered into a management contract with Lawrence County Educational Service Center to provide consulting services, including teacher training, curriculum development, financial management, and state relations. (See Note 7)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to a governmental nonprofit organization. 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.

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

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 change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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, is recorded on the accrual basis 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 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 Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705.391, the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction, unless specifically provided in the contract between the academy and its sponsor. The contract between the Academy and the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's Sponsor, the Lawrence County Educational Service Center, which serves as the Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2014.

G. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its 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 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid Program. Revenues from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met. 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 expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

K. Capital Assets and Long-Term Debt

The Academy had no capital assets or long-term debt at June 30, 2014.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For 2014, the Educational Service Center implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

NOTE 4 - DEPOSITS

At June 30, 2014, the carrying amount of the Academy’s deposits was \$501,484 and the bank balance was \$506,627. As of June 30, 2014, \$250,000 of the bank balance was either covered by the Federal Deposit Insurance Corporation or pooled collateral as discussed in the following paragraph.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – DEPOSITS – (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental receivables. All receivables are considered collectable in full and are expected to be received within one year.

The intergovernmental receivables consist of the following:

Title I	\$ 38,234
Special Education, Part B - IDEA	27,235
Improving Teacher Quality Title II-A	363
Total Intergovernmental Receivables	<u>\$ 65,832</u>

NOTE 6 - 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. For the fiscal year ended 2014, the Academy obtained insurance through their Sponsor. The Lawrence County Educational Service Center participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. The Lawrence County Educational Service Center pays an annual premium to the OSP (See Note 10).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$3,000,000
Aggregate Limit	5,000,000
Products – Complete Operations Aggregate Limit	3,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	3,000,000
Per Disease Each Employee	3,000,000
Per Disease Policy Limit	3,000,000
Employee Benefits Liability:	
Per Claim	3,000,000
Aggregate Limit	

Claims did not exceeded coverage for the current fiscal year.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 - MANAGEMENT AGREEMENT

The Academy entered into a 5-year contract, effective May 10, 2013 with an expiration date of June 30, 2018, with the Lawrence County Educational Service Center for educational management services. The contract contains a provision which extends the contract for successive one-year periods unless terminated by either party. In exchange for its services, the Lawrence County Educational Service Center receives a management fee equal to 3% percent of all revenue received from the State. Terms of the contract require the Educational Service Center to provide the following:

1. Monitor the Academy's compliance with all applicable laws;
2. Monitor and evaluate the academic and fiscal performance and the organization and operation of the Academy on at least an annual basis;
3. Report on an annual basis the results of the evaluation to the Department of Education and to the parents of the students enrolled in the Academy;
4. Provide technical assistance to the Academy;
5. Intervene in the Academy's operation to correct problems in the overall performance, declare the Academy to be on probationary status pursuant to Section 3314.073 of the Ohio Revised Code, suspend the operation of the Academy pursuant to Section 3314.072 of the Ohio Revised Code, or terminate the sponsorship contract as pursuant to Section 3314.07 of the Ohio Revised Code;
6. Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or closes prior to the end of a school year.

NOTE 8 - PURCHASED SERVICES

For the year ended June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Other Direct Costs	\$ 499,815
Total Purchased Services	<u>\$ 499,815</u>

NOTE 9 – CONTINGENCIES

A. Grants

The Academy receives 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 is 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, any such disallowed claims will not have a material adverse effect on any of the financial statements of included herein or on the overall financial position of the Academy at June 30, 2014.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**LAWRENCE COUNTY ACADEMY
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 – CONTINGENCIES – (Continued)

C. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 10 - INSURANCE PURCHASING POOL

The Academy's Sponsor, the Lawrence County Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 11 – SUBSEQUENT EVENTS

A settlement agreement was signed stating that the Lawrence County Academy will close as of June 30, 2017. Assets of any kind shall be transferred to the Educational Service Center.

The Academy's fiscal agent posted a memo check in the Academy's SCOCA accounting system to the Lawrence County Educational Service Center (the Center) on July 31, 2014 in the amount of the Academy's bank balance as of June 30, 2014. The Academy's fiscal agent wire transferred the monies from the Academy's bank account to the Center's bank account on November 26, 2014. Of the amount that was wire transferred, \$370,177 represented the Academy's surplus balance that was swept to the Center. The Center used \$84,554 of the surplus balance to issue checks to local school districts as reimbursement to partially offset losses to the districts on account of students who enrolled in the Academy, as approved by the Board of Directors on October 10, 2014.

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Dave Yost • Auditor of State

LAWRENCE COUNTY ACADEMY

LAWRENCE 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
APRIL 17, 2018