



Dave Yost • Auditor of State



**CENTER FOR STUDENT ACHIEVEMENT  
JACKSON COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Center for Student Achievement  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

To the Board of Directors:

### ***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, 2016, 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 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities of the Center for Student Achievement, Jackson County, Ohio, as of June 30, 2016, and the changes in cash financial position and the cash flows for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 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 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Information**

We applied no procedures to Management's Discussion & Analysis. Accordingly, we express no opinion or any other assurance on it.

**Emphasis of Matter**

As disclosed in Note 8, a Joint Resolution of Intent was agreed upon by the Center for Student Achievement Governing Authority and the Jackson City School District Board of Education which closes the Center permanently at the end of the 2016-2017 school year.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2017

**Center for Student Achievement**  
**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The discussion and analysis of the Center for Student Achievement's (the Center) financial performance provides an overall review of the Center's financial activity for the period ended June 30, 2016. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

## **FINANCIAL HIGHLIGHTS**

### **Key financial highlights for the fiscal year 2016 are as follows:**

- Net position decreased \$90,562 from fiscal year 2015.
- Operating receipts accounted for \$342,563 in receipts or 91.4 percent of all receipts. Non-operating receipts, consisting of interest income and intergovernmental revenue accounted for \$32,280 or 8.6 percent of total revenues of \$374,843.

## **USING THIS ANNUAL FINANCIAL REPORT**

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 No. 34.

This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

**Center for Student Achievement**  
**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Table 1 provides a summary of the Center's net position – cash basis for 2016 compared to 2015:

**Table 1**  
**Net Position - Cash Basis**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$183,318	\$273,880
<b>Net Position</b>		
Unrestricted	183,318	273,880
<i>Total Net Position</i>	\$183,318	\$273,880

Net position decreased \$90,562, which is due to primarily to the increase in operating disbursement for fiscal year 2016 for the fiscal oversight from previous years.

Table 2 reflects the changes in net position for the fiscal year ended June 30, 2016, and comparisons to fiscal year 2015.

**Table 2**  
**Changes in Net Position - Cash Basis**

	2016	2015	Increase (Decrease)
<b>Operating Receipts</b>			
Foundation	\$342,473	\$349,974	(\$7,501)
Other	90	72	18
<i>Total Operating Receipts</i>	342,563	350,046	(7,483)
<b>Operating Disbursements</b>	465,405	328,122	137,283
<i>Operating Income (Loss)</i>	(122,842)	21,924	(144,766)
<b>Non-Operating Receipts</b>	32,280	36,008	(3,728)
<i>Change in Net Position</i>	(90,562)	57,932	(148,494)
Net Position Beginning of Year	273,880	215,948	57,932
Net Position End of Year	\$183,318	\$273,880	(\$90,562)

Net position decreased by \$90,562 from fiscal year 2015 to fiscal year 2016. A decrease in operating receipts of \$7,483 was due to a change in the enrollment and how funding from the State filters through the state formula. Operating disbursements increased \$137,283 due to paying the fiscal oversight to the sponsor for fiscal years 2014, 2015, and 2016.



**Center for Student Achievement**  
**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**DEBT**

The Center did not incur any debt during the fiscal year ended June 30, 2016.

**CURRENT ISSUES**

The cutting edge nature of this type of instructional delivery makes for constant change during the early years of operation. Upgrading and maintaining equipment, technical support, instructional support materials, and fluctuating enrollment are just some of the challenges facing the Center which must be overcome for the Center to continue to offer the educational experience our students require.

**CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, and 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 any questions about this report or need additional financial information, contact Rachel King, Treasurer, at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.

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**Center for Student Achievement**  
**Jackson County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2016*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$183,318</u></u>
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**Net Position**

Unrestricted	<u><u>\$183,318</u></u>
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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, 2016*

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<b>Operating Receipts</b>	
Foundation	\$342,473
Other	90
	<hr/>
<i>Total Operating Receipts</i>	<i>342,563</i>
	<hr/>
<b>Operating Disbursements</b>	
Contractual Services	436,283
Materials and Supplies	29,122
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<i>Total Operating Disbursements</i>	<i>465,405</i>
	<hr/>
<i>Operating Income</i>	<i>(122,842)</i>
	<hr/>
<b>Non-Operating Receipts</b>	
Interest Income	149
Intergovernmental	32,131
	<hr/>
<i>Total Non-Operating Receipts</i>	<i>32,280</i>
	<hr/>
<i>Change in Net Position</i>	<i>(90,562)</i>
	<hr/>
<i>Net Position Beginning of Year</i>	<i>273,880</i>
	<hr/>
<i>Net Position End of Year</i>	<i>\$183,318</i>
	<hr/> <hr/>

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, 2016*

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*Increase (Decrease) in Cash and Cash Equivalents*

**Cash Flows from Operating Activities:**

Cash Received from Foundation	\$342,473
Other Operating Receipts	90
Cash Payments to Suppliers for Goods and Services	<u>(465,405)</u>

*Net Cash Provided by Operating Activities* (122,842)

**Cash Flows from Noncapital Financing Activities:**

Intergovernmental	<u>32,131</u>
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**Cash Flows from Investing Activities:**

Interest Income	<u>149</u>
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*Net Increase in Cash and Cash Equivalents* (90,562)

*Cash and Cash Equivalents Beginning of Year* 273,880

*Cash and Cash Equivalents End of Year* \$183,318

**Reconciliation of Operating Income to Net**

**Cash Provided by Operating Activities:**

*Operating Income* (\$122,842)

See accompanying notes to the basic financial statements

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**Center for Student Achievement**  
**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 1 - Description of the School**

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 7, 2013, a new contract was entered into, which extends service through June 30, 2018. 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. 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.

**Note 2 – 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.

**A. Basis of Presentation**

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

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

**Center for Student Achievement**  
**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***B. Measurement Focus and Basis of Accounting***

The enterprise activity is accounted for using a flow of economic resources measurement focus. 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.

***C. 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.

***D. 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, 2016.

***E. 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.

***F. 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.

***G. 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 3 – Deposits**

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

Active monies are public monies 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.



**Center for Student Achievement**  
**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not 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 deposits are deposits of interim monies. Interim monies are those monies which 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 can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, or any other obligations or securities 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days. 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 or short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

**Center for Student Achievement**  
**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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 \$231,582 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; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2016, the Center contracted with the Liberty Mutual Insurance for the following coverage:

Property	Deductible	Limits of Coverage
Business Property	\$1,000	\$57,133
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 Once Accident	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2015.

**Center for Student Achievement**  
**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 5 – Purchased Services**

For the period July 1, 2015, through June 30, 2016, the Center had expenses of \$436,283 for professional and technical services.

**Note 6 – Related Party Transactions**

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.

**Note 7 – Contingencies**

**A. 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 the 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, 2016.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. After year ending June 30, 2016, there were multiple adjustments from the State to the Center’s foundation settlement report that date back to fiscal year 2015 and fiscal year 2016.

**Note 8 – Subsequent Events**

On October 13th, 2016, the Ohio Department of Education issued a letter to Jackson City School District, the Center for Student Achievement’s sponsor, that they had received an overall “poor” sponsor evaluation rating based on an evaluation of three equally weighted components: academic performance, adherence to quality practices and compliance with all applicable laws and rules. The letter further indicated pursuant to Ohio Revised Code 3314.016(B)(7)(c), sponsors receiving ratings of “poor” shall have their sponsorship authority revoked. This would not occur until the appeal process is finished. The appeal must be filed within 30 days after receiving the rating. Jackson City School District filed an appeal with the State Board of Education. If the State Board of Education confirms revocation of Jackson City School District’s sponsorship authority, the Ohio Department of Education’s Office of School Sponsorship will assume sponsorship of the Center for Student Achievement for the remainder of the 2016-2017 school year.

On February 14, 2017 and February 15, 2017, respectively, the Center for Student Achievement Governing Authority and the Jackson City School District Board of Education approved a Joint Resolution of Intent. This Resolution closes the Center for Student Achievement (CSA) permanently at the end of the current 2016-2017 school year and transfers the Center’s assets to the Jackson City School District in full as of the end of the school year.

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# Dave Yost • Auditor of State

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

Center for Student Achievement  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Center for Student Achievement, Jackson County, (the Center), a component unit of the Jackson City School District, Jackson County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 21, 2017, wherein we noted the Center uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Center's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2016-005 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-005.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2017

**CENTER FOR STUDENT ACHIEVEMENT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Noncompliance**

Ohio Rev. Code § 117.38 provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin Code § 117-2-03(B) requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles. The Center filed financial statements with the Auditor of State, but those statements followed a cash and investments accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The Center is subject to fines and various other administrative remedies.

The Center should take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**Officials' Response:** The Center has chosen to use the most cost-effective financial reporting system available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources.

**FINDING NUMBER 2016-002**

**Noncompliance**

Ohio Rev. Code § 3302.41(A) provides as used in this section, "blended learning" has the same meaning as in § 3301.079 of the Revised Code.

(A) Any local, city, exempted village, or joint vocational school district, community school established under Chapter 3314 of the Revised Code, STEM school established under Chapter 3326 of the Revised Code, college-preparatory boarding school established under Chapter 3328 of the Revised Code, or chartered nonpublic school may operate all or part of a school using a blended learning model. If a school is operated using a blended learning model or is to cease operating using a blended learning model, the superintendent of the school or district or director of the school shall notify the department of education of that fact not later than the first day of July of the school year for which the change is effective. If any school district school, community school, or STEM school is already operated using a blended learning model on the effective date of this section, the superintendent of the school or district may notify the department within ninety days after the effective date of this section of that fact and request that the school be classified as a blended learning school.

The Center did not declare to the Ohio Department of Education (ODE) they were operating as a "blended learning" environment during the 2015-2016 school year until after the school year was over. Failure to do so could have a potential effect on the Center's funding.

The Center should declare to ODE no later than the first day of July of the school year for which the change is effective.

**CENTER FOR STUDENT ACHIEVEMENT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-002 (Continued)**

**Noncompliance – Ohio Rev. Code § 3302.41(A) (Continued)**

**Officials' Response:** Since the inception of the program, the Center for Student Achievement has operated as a "blended learning" environment. The Center has since filed the required notice. Since the Center will be closing at the end of the 2016-2017 academic year, it will not be necessary to supply this document to Ohio Department of Education (ODE) going forward.

**FINDING NUMBER 2016-003**

**Noncompliance**

Ohio Rev. Code § 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. For purposes of applying divisions (B) and (C) of this section, "learning opportunities" means both classroom-based and non-classroom-based learning opportunities overseen by licensed educational employees of the district that is in compliance with criteria and documentation requirements for student participation, which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the district.

Upon testing student enrollment, we noted that 20% of newly enrolled students tested did not have the enrollment forms present in their student files. This can cause a 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 due to the increased student body.

The District should ensure that enrollment forms are signed by the parent/guardian prior to the students' participation in the District.

**Officials' Response:** Enrollment forms are initiated at Jackson City School's central office and often the paperwork remains there. CSA uses and has an application on file signed by parents of all students under the age of 18 prior to enrollment.

**FINDING NUMBER 2016-004**

**Noncompliance**

Ohio Rev. Code § 3313.64 lists numerous terms and conditions of nontraditional students or residents within the district that attend an educational facility in which documentation can be requested by the board in order to support the students' attendance. These instances can include but not be limited to students where a guardian that lives within the District has been appointed by the courts to have "legal custody", placement for adoption has been terminated, students that are at least eighteen years of age but under twenty one years of age that live apart from their parents, and any child under eighteen years of age who is married is entitled to attend school in the child's district of residence.



**CENTER FOR STUDENT ACHIEVEMENT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-004 (Continued)**

**Noncompliance – Ohio Rev. Code § 3313.64 (Continued)**

In addition, Ohio Rev. Code § 3313.672 states 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 elementary or secondary school the pupil most recently attended; a certified copy of an order or decree, or modification of such an order or decree allocating parental rights and responsibilities for the care of a child and designating a residential parent and legal custodian of the child if that type of order or decree has been issued; a copy of a power of attorney or caretaker authorization affidavit, if either has been executed with respect to the child; and a certification of birth issued pursuant to Chapter 3705 of the Revised Code, a comparable certificate or certification issued pursuant to the statutes of another state, territory, possession, or nation, or a document in lieu of a certificate or certification.

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. Failure to maintain proper records could result in noncompliance of the Center's Record Retention policy and have a potential impact upon the Center's funding.

The Center should maintain student files including all required statutory information including birth certificates and proof of residency.

**Officials' Response:** As in 2016-003, these records are often in the files at Jackson City School's office. The Center is a very small school and administration is only open to students which meet the criteria for admission of Jackson High School and the admission requirements suggested to be in students files are already on file with the high school. Recently, we have begun including the same Jackson City School paperwork in the student files located in the CSA building.

**FINDING NUMBER 2016-005**

**Noncompliance/Material Weakness**

Ohio Rev. Code § 3314.08(H) in part requires the department of education shall adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The state board of education within ninety days after April 8, 2003, shall adopt in accordance with Chapter 119 of the Revised Code rules governing the payments to community schools under this section including initial payments in a school year and adjustments and reductions made in subsequent periodic payments to community schools and corresponding deductions from school district accounts as provided under division (C) of this section. For purposes of this section:

- (2) A student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under § 3301.0714 of the Revised Code.

**CENTER FOR STUDENT ACHIEVEMENT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-005 (Continued)**

**Noncompliance/Material Weakness – Ohio Rev. Code § 3314.08(H) (Continued)**

For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, "learning opportunities" shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school.

- (3) The department shall determine each community school student's percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year.

In addition, Ohio Rev. Code § 3314.03(A)(11) in part states the school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year.

The Center required each student to participate in learning opportunities for 25 hours per week. The student was required to be in the classroom for a minimum of 15 hours and had the choice to fulfill the remaining 10 hours of non-classroom learning opportunities.

The Center maintained records to substantiate students' hours of physical attendance in the classroom. This documentation included attendance sheets as well as sign in sheets for the classrooms. Credit was also given to students for their work that was completed online to complete assignments; however no support was maintained or utilized to validate the amount of time each student participated in non-classroom learning opportunities to ensure the students met the total required number of hours of learning opportunities.

The Center should implement controls and procedures to ensure adequate support is available and utilized to validate students' hourly attendance claims. Such procedures could include maintaining reports for each student on a weekly basis to support the amount of classroom and non-classroom hours meet required hours established by the Center's yearly attendance calendar. At a minimum, this support would have to include the student's name, date, and the times the student logged on and off of the system. The student should sign this weekly report to show acknowledgement that the work was completed and the teacher or other applicable administrator sign the report to Certify the time the student participated in learning opportunities outside the classroom.

**Officials' Response:** Students' time spent in non-classroom hours has been difficult to document. Not all work done at home is computer related. Some work is more typical pencil-paper homework. Students leave each day with an assignment from their teachers to work on at home. The next day the teacher goes over the homework outcomes with the students which offers a form of evidence that work was done. Contrary to what was listed in the audit, student's name, dates, and time they logged in and out is documented and available for review.

**CENTER FOR STUDENT ACHIEVEMENT  
JACKSON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not reporting on a GAAP basis.	Not Corrected	This item is repeated in the current audit as Finding Number 2016-001.

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# 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 7, 2017**