



Dave Yost • Auditor of State

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Early Academic Resource Nest Academy
Trumbull County
326 E. Main Street
Ravenna, Ohio 44266

To the Governing Board:

We were engaged to audit the accompanying basic financial statements of Liberty Early Academic Resource Nest Academy, Trumbull County, Ohio (LEARN, the "Academy"), as of and for the period ended June 30, 2010, which collectively comprise the Academy's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards* require us to obtain written representations from management. Management has not provided the Auditor of State written representations, including but not limited to managements' responsibility for preparing the financial statements in conformity with the academy's accounting basis, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings, management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of regulations, and provisions of contracts and grant agreements.

AU Section 337 permits auditors to rely on the judgment of lawyers and their acknowledgement of the responsibility to the client in respect of disclosure obligations to obtain sufficient audit evidence regarding reporting unasserted claims. We did not receive responses from the Academy's legal counsel. Therefore, we were unable to obtain sufficient evidence regarding the completeness of unasserted claims.

Since the Academy was unable to provide written representations as discussed in the second preceding paragraph, and we did not receive a response from the Academy's legal counsel and were not able to apply other auditing procedures to satisfy ourselves as to the completeness of unasserted claims, the scope of our engagement procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements referred to above for the period ended June 30, 2010.

On September 15, 2011 the Portage County Educational Service Center became the Sponsor of the Academy. The Academy suspended operations on October 14, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

April 14, 2014

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(UNAUDITED)**

The management's discussion and analysis of the Liberty Early Academic Resource Nest (L.E.A.R.N.) Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the period August 24, 2009 through June 30, 2010. 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

Key financial highlights for 2010 are as follows:

- In total, net assets were \$90,057 at June 30, 2010.
- The Academy had operating revenues of \$635,447 and operating expenses of \$593,592 for the fiscal period ended June 30, 2010. The Academy's operating income in net assets for the fiscal year was \$41,855.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net assets and statement of revenues, expense and changes in net assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

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TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(UNAUDITED)

The table below provides a summary of the Academy's net assets as of June 30, 2010. This is the Academy's first year of operation, comparative information is not available.

Net Assets

	<u>2010</u>
<u>Assets</u>	
Current assets	\$ 123,353
Capital assets, net	<u>5,430</u>
Total assets	<u>128,783</u>
<u>Liabilities</u>	
Current liabilities	<u>38,726</u>
Total liabilities	<u>38,726</u>
<u>Net assets</u>	
Invested in capital assets	5,430
Restricted	30,093
Unrestricted	<u>54,534</u>
Total net assets	<u>\$ 90,057</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's assets exceeded liabilities by \$90,057.

A portion of the Academy's net assets, \$30,093, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$54,534 may be used to meet the Academy's ongoing obligations to the students and creditors.

At June 30, 2010, capital assets represented 4.22% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

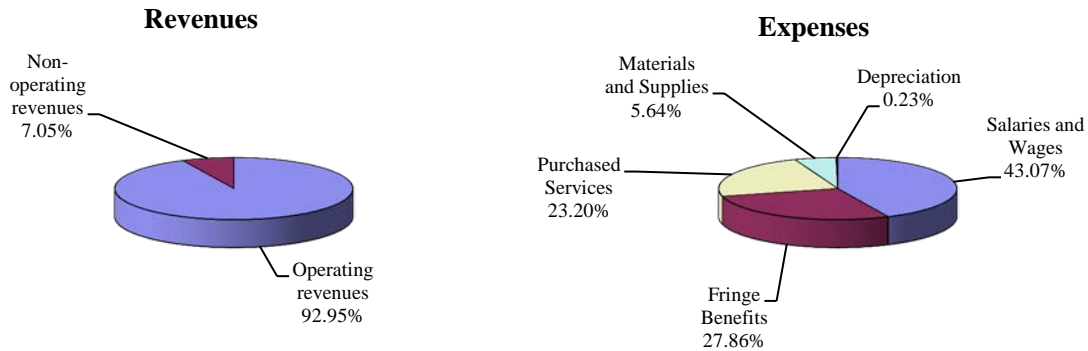
**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(UNAUDITED)

The table below shows the changes in net assets for the fiscal period August 24, 2009 thru June 30, 2010:

Change in Net Assets	
<u>Operating Revenues:</u>	
State foundation	\$ 632,609
Tuition and fees	<u>2,838</u>
Total operating revenue	<u>635,447</u>
<u>Operating Expenses:</u>	
Salaries and wages	255,664
Fringe benefits	165,366
Purchased services	137,713
Materials and supplies	33,491
Depreciation	<u>1,358</u>
Total operating expenses	<u>593,592</u>
<u>Non-operating Revenues:</u>	
Federal and state grants	<u>48,202</u>
Total non-operating revenues	<u>48,202</u>
Change in net assets	90,057
Net assets at beginning of period	<u>-</u>
Net assets at end of period	<u><u>\$ 90,057</u></u>

The chart below illustrates the revenues and expenses for the Academy during fiscal period August 24, 2009 thru June 30, 2010:



Capital Assets

At June 30, 2010, the Academy had \$5,430 invested in furniture and equipment. See Note 4 to the basic financial statements for more detail on capital assets.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(UNAUDITED)**

Current Financial Related Activities

For the fiscal period August 24, 2009 thru June 30, 2010 the Academy was sponsored by Liberty Local School District. The Academy is reliant upon State Foundation monies and Federal Sub-Grants to offer learning to students.

On September 13, 2011 the Board of Directors approved the Portage County Educational Service Center as its sponsor.

On October 15, 2011 the Academy suspended operations.

Contacting the Academy

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact the Portage County Educational Service Center, 326 E Main St, Ravenna, OH 44266.

**LEARN ACADEMY
TRUMBULL COUNTY
STATEMENT OF NET ASSETS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 123,353
Total current assets	<u>123,353</u>
Non-current assets:	
Capital assets, net	5,430
Total non-current assets	<u>5,430</u>
Total assets	<u>128,783</u>
Liabilities:	
Current liabilities:	
Accounts payable	13,905
Accrued wages and benefits	24,298
Pension obligation payable	256
Intergovernmental payable	<u>267</u>
Total liabilities	<u>38,726</u>
Net assets:	
Invested in capital assets	5,430
Restricted for:	
State programs	5,000
Federal programs	25,093
Unrestricted	<u>54,534</u>
Total net assets	<u>\$ 90,057</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEARN ACADEMY
TRUMBULL COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010

Operating revenues:	
State foundation	\$ 632,609
Tuition and fees.	<u>2,838</u>
 Total operating revenues	 <u>635,447</u>
Operating expenses:	
Salaries and wages.	255,664
Fringe benefits	165,366
Purchased services.	137,713
Materials and supplies	33,491
Depreciation	<u>1,358</u>
Total operating expenses.	<u>593,592</u>
 Operating income	 <u>41,855</u>
Non-operating revenues:	
State and federal grants	<u>48,202</u>
 Total non-operating revenues	 <u>48,202</u>
 Change in net assets	 90,057
 Net assets at beginning of the period.	 <u>-</u>
Net assets at end of the period	<u><u>\$ 90,057</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEARN ACADEMY
TRUMBULL COUNTY
STATEMENT OF CASH FLOWS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010

Cash flows from operating activities:	
Cash received from State foundation	\$ 632,609
Cash received from tuition and fees	2,838
Cash payments for salaries and wages.	(231,366)
Cash payments for fringe benefits	(164,843)
Cash payments for contractual services	(137,213)
Cash payments for materials and supplies	<u>(20,086)</u>
Net cash provided by operating activities.	<u>81,939</u>
Cash flows from noncapital financing activities:	
Cash received from State and federal grants	<u>48,202</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,788)</u>
Net increase in cash and cash equivalents	123,353
Cash and cash equivalents at beginning of the period . .	<u>-</u>
Cash and cash equivalents at end of the period	<u><u>\$ 123,353</u></u>
Reconciliation of operating loss to net cash (used in) operating activities:	
Operating income.	\$ 41,855
Adjustments:	
Depreciation	1,358
Changes in assets and liabilities:	
Increase in accounts payable.	13,905
Increase in accrued wages and benefits	24,298
Increase in intergovernmental payable	267
Increase in pension obligation payable	<u>256</u>
Net cash provided by operating activities.	<u><u>\$ 81,939</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL

Liberty Early Academic Resource Nest Academy Community School (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The Academy, which is part of the State's education program, is independent of any school district Management is not aware of any course of action or series of events that have occurred that might adversely affect their tax exempt status. The Academy's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the K - 2 population. It is to be operated in cooperation with the Liberty Local School District (the "District"), to provide K-2 students differentiated opportunities that ensure that every day, every student engages in learning and application events that reflect each student's learning style, focuses on each student's intelligence, and that continue each student's learning within an environment immersing students in artistic, scientific, mathematic and linguistic languages. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy operates under the direction of the Treasurer and a five-member Board of Directors. The Board of Directors consists of five appointed members who represent a cross-section of the community and have been selected for their expertise in assisting the Academy to achieve its mission and purposes. The Academy Treasurer shall be a non-voting ex officio member of the Academy's 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows reflect how the Academy finances and meets its cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is

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TRUMBULL COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(Continued)

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

utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. 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 Chapter 5705, unless specifically provided in the School's contract with its sponsor. The contract between the Academy and the District requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

D. Cash

All monies received by the Academy are deposited in a demand deposit account. For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Academy are presented on the financial statements as cash equivalents. The Academy did not have any investments during fiscal year 2010.

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to fifteen years.

F. Operating Revenues and Expenses

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

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use 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 assets are available.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(Continued)

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

H. Intergovernmental Revenue

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

Federal and State grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. 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 the Academy on a reimbursement basis.

The Academy participates in various programs through the Ohio Department of Education. These include the Title I, Title II-A, Title II-D, and IDEA Part B Grants.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the Academy and the expense is recorded when used. The Academy had no prepaid items at June 30, 2010.

J. Estimates

The preparation of financial statements in conformity with GAAP 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.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all the Academy's deposits was \$123,353. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, the Academy's entire bank balance of \$226,895 was covered by the Federal Deposit Insurance Corporation (FDIC).

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(Continued)

NOTE 4 - CAPITAL ASSETS

A summary of capital assets at June 30, 2010 follows:

	Balance <u>6/30/09</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/10</u>
Furniture and equipment	\$ -	\$ 6,788	\$ -	\$ 6,788
Less: accumulated depreciation	<u>-</u>	<u>(1,358)</u>	<u>-</u>	<u>(1,358)</u>
Net capital assets	<u>\$ -</u>	<u>\$ 5,430</u>	<u>\$ -</u>	<u>\$ 5,430</u>

NOTE 5 - 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. The Academy is insured through a commercial carrier for risk of loss.

NOTE 6 - PENSION PLANS

A. School Employees Retirement System

Plan Description – the Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS’ Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy’s required contributions for pension obligations and death benefits to SERS for the fiscal period ended June 30, 2010 was \$1,637; 100 percent has been contributed for 2010.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(Continued)

NOTE 6 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – the Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal period ended June 30, 2010 was \$28,412; 100 percent has been contributed for 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Governing Board have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(Continued)

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the period ended June 30, 2010 was \$4,388; 100 percent has been contributed for 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal period ended June 30, 2010 was \$97; 100 percent has been contributed for 2010.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(Continued)

NOTE 7 - POSTEMPLOYMENT BENEFITS - (continued)

B. State Teachers Retirement System of Ohio

Plan Description – the Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy’s contributions for health care for the fiscal period ended June 30, 2010 were \$2,186; 100 percent has been contributed for 2010.

NOTE 8 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

B. State Foundation 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. As a result of the review after fiscal year end, the Academy was due an immaterial amount from the Ohio Department of Education.

C. Litigation

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE PERIOD AUGUST 24, 2009 THROUGH JUNE 30, 2010
(Continued)

NOTE 9 - CONTRACT SERVICES

Contract services include the following:

Professional and technical services	\$ 134,742
Travel mileage/meeting expense	<u>2,971</u>
	<u>\$ 137,713</u>

The above transactions are related party transactions since these services are purchased through the sponsor, the Liberty Local School District.

NOTE 10 – SUBSEQUENT EVENTS

On September 15, 2011 the Portage County Educational Service Center became the Sponsor of the Academy.

On October 14, 2011 the Academy suspended operations.



Dave Yost • Auditor of State

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

Liberty Early Academic Resource Nest Academy
Trumbull County
326 E. Main Street
Ravenna, Ohio 44266

To the Governing Board:

We were engaged to audit the financial statements of Liberty Early Academic Resource Nest Academy, Trumbull County, (LEARN, the "Academy") as of and for the period ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 14, 2014. We disclaimed our report because the Academy failed to provide written representations.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-003, 2010-008, 2010-009 and 2010-010 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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, providing an opinion 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 2010-001, 2010-002, 2010-004 through 2010-008 and 2010-011.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 14, 2014.

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.

We intend this report solely for the information and use of management, the governing board, the Community School's sponsor, and others within the Academy. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State
Columbus, Ohio

April 14, 2014

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance - Annual Financial Report

Ohio Administrative Code Section 117-2-03(B) requires GAAP basis filing entities to file their report within 150 days of year end.

The Academy lacks controls over timely and accurate financial reports. The Academy consults with a firm to assist in compiling its annual GAAP financial statements; however, the final documentation to complete the process was not provided to the firm until April 2012 which is beyond the deadline for filing the financial report with the Auditor of State's Office. The annual report was filed with the Auditor of State's Office on May 4, 2012. The Academy's management is ultimately responsible for the financial report.

While there were delays in both filing the annual GAAP report and completing the annual audit due to numerous circumstances, timely financial reports are essential to the operation of the Academy to help ensure complete and accurate data is being provided to the Academy's stakeholders.

We recommend the Academy's management take a more active role in overseeing the financial reporting process. We further recommend that they evaluate the steps necessary to ensure financial reports are issued in a timely manner. This will help ensure that reports are submitted as required.

FINDING NUMBER 2010-002

Noncompliance - Deposits of Public Money

Ohio Revised Code Section 9.38 provides that a person who is a state officer, employee, or agent shall pay to the treasurer of state all public moneys received by that person as required by rule of the treasurer of state adopted pursuant to section 113.09 of the Revised Code. A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

FINDING NUMBER 2010-002

(Continued)

The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy; in the case of a board of county commissioners, the board may adopt such a policy with respect to public offices under the board's direct supervision and the offices of the prosecuting attorney, sheriff, coroner, county engineer, county recorder, county auditor, county treasurer, or clerk of the court of common pleas.

If a person who is a public official receives public moneys for a public office of which that person is not a public official, that person shall, during the first business day of the next week, pay to the proper public official of the proper public office the moneys so received during the current week.

The Academy had not deposited, in a timely manner, 100% of the state foundation monies received.

The Academy should comply with Ohio Revised Code Section 9.38 and deposit moneys within twenty four hours. This will ensure that the Academy will also collect any earnable interest revenue.

FINDING NUMBER 2010-003

Material Weakness - Reconciling Bank Accounts

There was no evidence that monthly or periodic bank reconciliations were performed by Academy officials. Failure to perform monthly bank reconciliations increases the likelihood that errors, omissions, and unauthorized activity will not be detected by Academy management.

The Academy should reconcile these accounts monthly and timely correct any errors or mispostings. The Academy should also ensure that all reconciling items are sufficiently supported by documentation. Additionally, the Treasurer should include the monthly reconciliations in the report package that is given to the Board at their monthly meeting so that they can be kept informed of the financial position of the Academy. This will help improve financial accountability for all expenditures and reduce the risk of misappropriation of Academy assets.

FINDING NUMBER 2010-004

Noncompliance – Finding For Recovery - Unauthorized Payroll Expenditures

The Liberty Early Academic Resource Nest (LEARN) (the "School") entered into a Community School Sponsorship Contract with the Liberty Local School District Board of Education (the "Sponsor"). Article IV Section B of the Contract states "The Sponsor shall be the fiscal agent of the School and shall provide the services of a qualified individual who shall, as an employee or contractor of the Sponsor, serve as the School's fiscal officer. In the event that the person designated by the Sponsor to provide such services is also the Sponsor's Treasurer (or other employee), such individual shall serve the School in his/her official capacity as Sponsor's Treasurer (or other employee.) In exchange for the foregoing fiscal services, the School shall pay the Sponsor a reasonable amount not to exceed \$300 per day."

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

(Continued)

**FINDING NUMBER 2010-004
(Continued)**

On April 30, 2010, LEARN paid the following Liberty Local School District employees for Supplemental Accounting Services as follows:

NAME	POSITION	AMOUNT	SERS PICKUP ON PICKUP AMOUNT	TOTAL
Tracey Obermiyer	Treasurer	\$3,269	\$359	\$3,628
Holly Janusko	Assistant Treasurer	\$1,992	\$188	\$2,180
Catherine Hivner	Assistant Treasurer	\$1,838	\$173	\$2,011
Melissa Menning	EMIS Coordinator	\$1,992	\$188	\$2,180
Renee Ray	Secretary	\$2,643	\$174	<u>\$2,817</u>
				\$12,816

Also, on May 20, 2010, LEARN paid Renee Ray an additional \$358 for Supplemental Accounting Services.

According to the Community School Sponsorship Contract, each of the aforementioned individuals should have served LEARN in their official capacity as Sponsor employees, and should not have received direct compensation from LEARN. Furthermore, a review of Liberty Local School District's payroll records showed that each of the aforementioned individuals was also compensated by Liberty Local School District for the same time worked.

The checks in question were signed by Tracey Obermiyer, Treasurer.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued as follows:

- against Tracey Obermiyer, Treasurer, in the amount of \$3,628 and in favor of LEARN Academy.
- against Holly Janusko in the amount of \$2,180 and in favor of LEARN Academy;
- against Catherine Hivner in the amount of \$2,011 and in favor of LEARN Academy;
- against Melissa Menning in the amount of \$2,180 and in favor of LEARN Academy;
- against Renee Ray in the amount of \$3,175 and in favor of LEARN Academy;

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.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

(Continued)

**FINDING NUMBER 2010-004
(Continued)**

Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Accordingly, Tracey Obermiyer, Treasurer, is jointly and severally liable in the amount of \$13,174 and in favor of LEARN Academy.

FINDING NUMBER 2010-005

Noncompliance - Public Official's Bond

Ohio Revised Code Section 3314.011 provides that every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule (see **OAC 117-6-07 (B)** below) that the fiscal officer of any community school, before entering upon duties as the fiscal officer of the school, execute a bond in an amount and with surety to be approved by the governing authority of the school, payable to the State, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the school, and a copy thereof, certified by the governing authority, shall be filed with the county auditor.

Additionally, **Ohio Administrative Code Section 117-6-07 (B)** requires a community school fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in **Ohio Revised Code Section 3314.011**. The governing authority prescribes the bond amount and surety by resolution.

The Academy did not provide evidence of a bond for the Fiscal Officer. Additionally, the Board did not approve the bond amount. This could result in the bond amount being inadequate and the Academy assuming unnecessary liability.

FINDING NUMBER 2010-006

Noncompliance – Finding For Recovery - Expenditures Lacking Proper Supporting Documentation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a proper public purpose. Typically the determination of what constitutes a proper "public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, *Expenditure of Public Funds/Proper "Public Purpose,"* provides that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

**FINDING NUMBER 2010-006
(Conitnued)**

During the 2009-2010 school year, LEARN Academy had one withdrawal and five debit card expenditures to various vendors for which there was no additional supporting documentation on file, proper approval of the Governing Board could not be verified, and the purpose or necessity for the expenditure was not documented. This missing documentation should have included invoices, receipts or bills, as well as other documentation supporting the payment. These payments are detailed below:

<u>DATE</u>	<u>CHECK NUMBER</u>	<u>AMOUNT</u>	<u>BANK STATEMENT DESCRIPTION – PAYEE</u>
3/25/10	Other Withdrawal	\$20	Withdrawal
4/26/10	Debit Card	\$137	Point of Sale Withdrawal - ILP Insect Lore
5/12/10	Debit Card	\$734	Point of Sale Withdrawal - Oriental Trading Co.
5/27/10	Debit Card	\$331	Point of Sale Withdrawal - Akron Zoological Park
6/1/10	Debit Card	\$254	Point of Sale Withdrawal - Voyager Expanded Learn
6/1/10	Debit Card	\$154	Point of Sale Withdrawal - Quaker Steak and Lube – Austintown
		\$1,630	

Without appropriate documentation, it is not possible to determine if expenditures were made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances making it difficult to identify errors which could go undetected and possibly result in expenditures that are not for a proper public purpose.

The bank account that this withdrawal and debit card expenditures were charged against has one authorized signatory, Tracey Obermiyer, Treasurer.

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 Section 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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Tracey Obermiyer, Treasurer, in the amount of \$1,630 and in favor of LEARN Academy.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

FINDING NUMBER 2010-007

Noncompliance – Finding for Recovery - Payments to Sponsor Lacking Proper Documentation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a proper public purpose. Typically the determination of what constitutes a proper "public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, *Expenditure of Public Funds/Proper "Public Purpose,"* provides that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During the 2009-2010 school year, LEARN Academy issued two checks to Liberty Local Schools, the Academy's Sponsor, for which there was no additional supporting documentation on file, proper approval of the Governing Board could not be verified, and the purpose or necessity for the expenditure was not documented. This missing documentation should have included invoices, receipts or bills, as well as other documentation supporting the payment. These payments are detailed below:

CHECK NO.	DATE	ISSUED TO	AMOUNT
1061	3/22/10	Liberty BOE	\$107,549
*1088	6/30/10	LBOE	\$102,041

(* \$40,000 of this amount is supported by proper documentation. The net amount of this disbursement, \$62,041, is included in the finding for recovery amount).

Without appropriate documentation, it is not possible to determine if expenditures were made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances making it difficult to identify errors which could go undetected and possibly result in expenditures that are not for a proper public purpose.

The checks in question were signed by Tracey Obermiyer, Treasurer.

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 Section 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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Liberty Local School District and against Tracey Obermiyer, Treasurer, jointly and severally, in the amount of \$169,590 and in favor of LEARN Academy.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

FINDING NUMBER 2010-008

Noncompliance and Material Weakness - Records Retention

Ohio Revised Code 149.351(A) provides, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

Ohio Revised Code Section 149.011(G) defines "records" for purposes of the public records law, as any document, device, or item, regardless of physical form or characteristic, including an electronic record as defined in section 1306 of the Revised Code, created, received by, or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office.

During the audit period, we noted two vendor payments were not supported with adequate documentation to substantiate the purpose of the expenditures. Also, during the audit period, we noted that six deductions were made from the Academy's bank account through electronic funds transfers or debit card payments to certain vendors. However, the Academy did not maintain any supporting documentation as to the purpose of such electronic funds transfers or debit card payments. These exceptions resulted in the subsequent findings for recovery being made in Finding Numbers 2010-006 and 2010-007. The Academy does not have a records retention policy.

Failure to maintain copies of vouchers and supporting documentation increases the likelihood the Academy will pay an invoice more than once or will pay an amount that is incorrect or not for a proper public purpose. This also limits the ability of Academy management to reconstruct historical transactions.

The Academy should establish a Board-approved records retention policy. The Academy should maintain all records and supporting documentation until such records have been subject to auditing procedures and only dispose of records in accordance with a Board-approved records retention policy.

FINDING NUMBER 2010-009

Material Weakness - Board Monitoring of Financial Reports

Financial reports of the Academy's activities are important resources to help keep the Board informed of the Academy's financial status and to aid in making financial decisions in the best interest of the Academy.

For fiscal year 2010, we noted that the Board approved a "Financial Report" at its regular meetings, but the Academy provided no evidence as to which reports were included within this "Financial Report".

The financial information should be presented at each regular meeting and the minutes reflect the Board review and acceptance of this financial information.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

FINDING NUMBER 2010-009

(Continued)

The financial information submitted for review and approval should include some of the following data and any other reports that Board deems necessary:

- A listing of bills to be paid which includes the warrant number;
- Total revenue received and disbursements paid for the month;
- A comparison of actual revenue versus estimated revenue year to date;
- A comparison of actual expenditures versus budgeted expenditures year to date;
- A copy of the monthly bank reconciliations;
- A fund balance report.

This may help keep the Board informed of the financial status of the Academy, aid in monitoring the finances, and help in making financial decisions.

FINDING NUMBER 2010-010

Material Weakness – Lack of Management Representation

AICPA Codification of Auditing Standards (AU) section 333 states that the auditor should obtain written representations from current management on all periods covered in the audit report. An auditor should obtain representations from those members of management with overall responsibility for financial and operating matters whom the auditor believes are responsible for and knowledgeable about, directly or through other in the organization, the matters covered by the representations.

AU section 333 further states that management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion and is ordinarily sufficient to cause an auditor to disclaim an opinion or withdraw from the engagement.

Management was not willing to provide representation. The Academy suspended operations on October 14, 2011.

Therefore based on management's refusal to provide written representations in connection with the audit of the financial statements we disclaimed an opinion on the financial statements.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

FINDING NUMBER 2010-011

Noncompliance – Annual Report of Activities

Ohio Revised Code Section 3314.03(A)(11)(g) provides that the community school's governing authority is required to submit an annual report of its activities and progress in meeting the goals and standards of Ohio Revised Code Section 3314.03(A)(3) and (4) (academic goals to be achieved and method of measurement to determine progress and performance standards to evaluate a school's success) and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight. The report must be submitted within four months after the end of each school year. The school must collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct.

The Academy failed to provide any evidence of the required annual report of its activities and progress in meeting the goals and standards as required by the above Ohio Revised Code Section, as well as, its Financial status to the sponsor, the parents of all students enrolled in the Academy, and the legislative office of education oversight for the audit period.

Official's Response: There was no official response provided by the Academy.

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Liberty Early Academic Resource Nest Academy
Trumbull County
326 East Main Street
Ravenna, Ohio 44266

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Academy, solely to assist the Academy in evaluating whether Liberty Early Academic Resource nest Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Academy. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Academy implemented its anti-harassment policy at its meeting on May 25, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Academy and the Academy's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

April 14, 2014

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Dave Yost • Auditor of State

LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**