



Rea & associates *a brighter way*

Ohio Valley Energy Technology Academy

(A Component Unit of Buckeye Local School
District)

Jefferson County, Ohio

Audited Financial Statements

For the Period April 1, 2015
through June 30, 2016



Dave Yost • Auditor of State

Board of Directors
Ohio Valley Energy Technology Academy
10692 State Route 150
Rayland, OH 43943

We have reviewed the *Independent Auditor's Report* of the Ohio Valley Energy Technology Academy, Jefferson County, prepared by Rea & Associates, Inc., for the audit period April 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 3, 2017

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Ohio Valley Energy Technology Academy
(A Component Unit of Buckeye Local School District)
Jefferson County, Ohio
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June 30, 2016

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January 30, 2017

To the Board of Directors
Ohio Valley Energy Technology Academy
Jefferson County, Ohio
10692 State Route 150
Rayland, Ohio 43943

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Valley Energy Technology Academy, Jefferson County, Ohio, (the Academy), a component unit of Buckeye Local School District, as of and for the fifteen month period ending June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Valley Energy Technology Academy, Jefferson County, Ohio, as of June 30, 2016, and the changes in financial position and its cash flows for the fifteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, on pages 3–5, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Academy's internal control over financial reporting and compliance.

Hea & Associates, Inc.

New Philadelphia, Ohio

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Management's Discussion and Analysis
For the Period April 1, 2015 through June 30, 2016

The discussion and analysis of Ohio Valley Energy Technology Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fifteen month period ended June 30, 2016. 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 the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The Academy began operations in April 1, 2015.
- Total net position was \$58,530 for the fifteen month period ended June 30, 2016.

Using this Annual Financial Report

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 as a financial whole, an entire operating entity.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the Academy did financially during the fifteen month period ended June 30, 2016. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting similar to that which is used by most private sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Academy has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

The Academy reports its operations using enterprise fund accounting. All financial transactions and accounts are reported as one activity; therefore, the entity wide and fund presentations information is the same.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Management's Discussion and Analysis
For the Period April 1, 2015 through June 30, 2016

Reporting the Academy as a Whole

Table 1 provides a summary of the Academy's net position for the fifteen month period ended June 30, 2016. Since 2016 was the first year of operation, comparisons to the preceding year are not available. This table, as well as Table 2 below, will present fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusions about the Academy's financial status and possibly project future problems.

Table 1
Net Position

	2016
Assets	
Current Assets	\$ 69,375
Liabilities	
Current Liabilities	10,845
Net Position	
Restricted for Other Purposes	36,126
Unrestricted	22,404
Total Net Position	\$ 58,530

Financial Analysis

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016.

Table 2
Changes in Net Position

	2016
Operating Revenue	
State Foundation	\$ 416,371
State Distributed Casino Revenues	1,409
Contributions and Donations	3,025
<i>Total Operating Revenues</i>	420,805
Operating Expenses	
Salaries	10,375
Fringe Benefits	993
Purchased Services	269,742
Materials and Supplies	86,425
Other	30,866
<i>Total Operating Expenses</i>	398,401
<i>Operating Income</i>	22,404
Non-Operating Revenues (Expenses)	
Federal and State Grants	36,126
<i>Change in Net Position</i>	58,530
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$ 58,530

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Management's Discussion and Analysis
For the Period April 1, 2015 through June 30, 2016

The Statement of Revenues, Expenses and Changes in Net Position show the cost of operating expenses and the revenues offsetting those services.

The dependence upon state foundation revenues for operating activities is apparent. The Academy's foundation revenue is 91 percent of total revenue. State sources are by far the primary support for the Academy.

The Academy recorded a receivable in the amount of \$36,126 for federal grants during the fifteen month period ended June 30, 2016. All awards were recognized in the current year.

Budget

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy. The Academy has developed a five-year projection that is reviewed periodically by the Board of Directors.

Current Financial Related Activities

The Academy is sponsored by the Buckeye Local School District in Jefferson County with a contract that is in effect through June 30, 2020. The Academy relies on State Foundation Funds, which is driven by student enrollment. The Academy also received Federal Funds through the Comprehensive Continuous Improvement Planning application that is provided by the Ohio Department of Education.

The future of the Academy is dependent upon continued funding from the State Foundation Funds and student enrollment as no local revenue can be generated through tuition or property taxes. It is the intention of the management of the Academy to pursue other State and Federal grants as they become available.

The Academy has committed itself to providing a quality blended learning educational opportunity to students in a school setting and has provided full time academic help for students. The Academy's curriculum is developed to help students reach graduation in a non-traditional setting. The management will aggressively pursue adequate funding to secure the financial stability of the Academy. The management will work to maintain an enrollment level that will provide financial stability to the school.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact Don Donahue, Treasurer, at Ohio Valley Energy Technology Academy, 10692 State Route 150, Rayland, Ohio 43943.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Statement of Net Position
June 30, 2016

Assets

Current Assets:

Cash and Cash Equivalents	\$ 30,248
Intergovernmental Receivable	<u>39,127</u>
<i>Total Assets</i>	<u><u>69,375</u></u>

Liabilities

Current Liabilities:

Intergovernmental Payable	<u>10,845</u>
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Net Position

Restricted for Other Purposes	36,126
Unrestricted	<u>22,404</u>
<i>Total Net Position</i>	<u><u>\$ 58,530</u></u>

See accompanying notes to the basic financial statements.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Period April 1, 2015 through June 30, 2016

Operating Revenues	
State Foundation	\$ 416,371
State Distributed Casino Revenues	<u>1,409</u>
<i>Total Operating Revenues</i>	<u>417,780</u>
Operating Expenses	
Salaries	10,375
Fringe Benefits	993
Purchased Services	269,742
Materials and Supplies	86,425
Other	<u>30,866</u>
<i>Total Operating Expenses</i>	<u>398,401</u>
<i>Operating Income</i>	<u>19,379</u>
Non-Operating Revenues (Expenses)	
Federal and State Grants	36,126
Contributions and Donations	<u>3,025</u>
<i>Total Non-Operating Revenues</i>	<u>39,151</u>
<i>Change in Net Position</i>	58,530
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$ 58,530</u></u>

See accompanying notes to the basic financial statements.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Statement of Cash Flows
For the Period April 1, 2015 through June 30, 2016

Cash Flows From Operating Activities	
Cash Received from State Foundation	\$ 419,489
Cash Received from Casino Revenue	1,409
Cash Payments for Goods and Services	(262,015)
Cash Payments for Materials and Supplies	(86,425)
Cash Payments for Salaries and Benefits	(14,369)
Cash Payments for Other Expenses	(30,866)
	<u>27,223</u>
<i>Net Cash Provided By Operating Activities</i>	
Cash Flows From Non-Capital Financing Activities	
Note Proceeds Received from Sponsor	50,000
Repayment of Note to Sponsor	(50,000)
Cash received from Contributions and Donations	3,025
	<u>3,025</u>
<i>Net Cash Provided by Non-Capital Financing Activities</i>	
<i>Net Increase in Cash and Cash Equivalents</i>	30,248
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 30,248</u>
Reconciliation of Operating Income to	
Net Cash Provided by/Used for Operating Activities	
Operating Income	\$ 19,379
Adjustment:	
(Increase) in Assets	
Intergovernmental Receivable	(3,001)
Increase in Liabilities	
Intergovernmental Payable	10,845
	<u>7,844</u>
<i>Total Adjustments</i>	<u>7,844</u>
<i>Net Cash Used for Operating Activities</i>	<u>\$ 27,223</u>

See accompanying notes to the basic financial statements.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Period April 1, 2015 through June 30, 2016

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Ohio Valley Energy Technology Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students in seventh through twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Board of Education of the Buckeye Local School District (the Sponsor) for a period of five years commencing on July 1, 2015 through June 30, 2020. The Sponsor loaned the Academy \$50,000 to pay startup expenses on April 27, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Academy operates under a five-member Governing Board (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is 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 financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Academy's 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 where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows are included on the statement of net position. The operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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 utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Period April 1, 2015 through June 30, 2016

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 Rev. Code Chapter 5705, with the exception of 5705.391. All other budgetary provisions are not required to be followed, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

D. Cash and Cash Equivalents

Cash held by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Academy had no investments in the fifteen month period ended June 30, 2016.

E. Tax Exemption Status

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy's status as an integral part of its sponsoring political subdivision, the Buckeye Local School District.

F. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position restricted for other purposes consist of grants.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

Grants and entitlements 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 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. In the fifteen month period ended June 30, 2016, the Academy participated in several federal grant programs. Revenue received from these programs is recognized as non-operating revenue in the accompanying financial statements.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Period April 1, 2015 through June 30, 2016

H. 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.

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fifteen month period ended June 30, 2016.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Academy's name. During the fifteen month period ended June 30, 2016, the Academy and public depositories complied with the provisions of these statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

At June 30, 2016, the carrying amount of the Academy's deposits was \$30,248. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, none of the Academy's bank balance of \$30,248 was exposed to custodial risk as discussed above. All of this bank balance was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the Academy.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Period April 1, 2015 through June 30, 2016

NOTE 4 - PURCHASED SERVICES

For the fifteen month period ended June 30, 2016, purchased services expenses were all for professional and technical services.

NOTE 5 – SERVICE CONTRACTS

A. Buckeye Local School District

The Academy Sponsorship Contract between the Academy and Buckeye Local School District (the “Sponsor”) outlined the specific payments to be made by the Academy to Buckeye Local School District the fifteen month period ended June 30, 2016. In addition, the Academy Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by the sponsor. The Academy paid the Sponsor \$172,720 during the fifteen month period ended June 30, 2016 for professional and technical services.

For the period April 1, 2015 through June 30, 2016 the Academy incurred expenses of \$3,948 to their Sponsor for educational facility costs, including the building lease, site service fees and maintenance fees.

B. Jefferson County Educational Service Center

For the fifteen month period ended June 30, 2016, the Academy recognized \$122,073 in expenses for educational services, fiscal agent fees and curriculum provided by the Jefferson County Educational Service Center.

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. For the fifteen month period ended June 30, 2016, the Academy contracted with McBane Insurance & Financial Services, Inc. There were no claims during the fifteen month period that exceeded coverage.

NOTE 7 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2016, if applicable, cannot be determined at this time.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Basic Financial Statements
For the Period April 1, 2015 through June 30, 2016

B. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

NOTE 8 – NOTE PAYABLE

In April 2015, the Academy borrowed \$50,000 from the Sponsor to pay start-up expenses. The note was interest free and was repaid in full prior to June 30, 2016.

NOTE 9 – LEGAL COMPLIANCE

Full-time equivalencies for students were reported to the Ohio Department of Education based on days students participated in learning opportunities, instead of reporting based on the amount of time spent on learning opportunities as determined by Ohio Senate's bill's interpretation of Ohio Revised Code Section 3317.022.

In the 2016-2017 school year, the Academy no longer offers blended learning opportunities. All learning opportunities are now classroom-based.

January 30, 2017

To the Board of Directors
Ohio Valley Energy Technology Academy
Jefferson County, Ohio
10692 State Route 150
Rayland, Ohio 43943

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio Valley Energy Technology Academy, Jefferson County, Ohio (the Academy), a component unit of Buckeye Local School District, as of and for the fifteen month period ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as finding 2016-001.

Academy's Response to the Finding

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

Purpose of this Report

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

Rea & Associates, Inc.

New Philadelphia, Ohio

Ohio Valley Energy Technology Academy
(A Component Unit of Buckeye Local School District)
Jefferson County, Ohio
Schedule of Findings
June 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2016-001

Material Noncompliance

Criteria: Ohio Revised Code Section 3317.022 states that the Ohio Department of Education (ODE) shall compute and distribute state core foundation funding to each eligible school district for the fiscal year. An integral part of the calculation of foundation funding is average daily membership which is based upon annualized attendance and enrollment information. Each school district is responsible for accurately reporting enrollment statistics to the Ohio Department of Education's Educational Management Information System (EMIS).

Ohio Revised Code Section 3314.08(H)(3) states that 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.

Condition: During audit procedures, it was noted that the Academy reported to the Ohio Department of Education students' full-time equivalencies based on student attendance for classroom and non-classroom instruction for an entire day of learning opportunities offered for each day the student attended class or logged into online instruction, instead of reporting based on the amount time spent on learning opportunities.

Cause: Current changes in the EMIS system and reporting requirements caused confusion in how information is to be reported to the Ohio Department of Education.

Effect: ODE's interpretation of durational time needed to support learning activities was applied retroactively to the fiscal year. As a result, management indicated the records could not be re-created to support time spent not logged into the Academy's system. This change in interpretation could result in a claw-back or foundation funding paid during the fiscal year.

Recommendation: We recommend the Academy implement procedures to provide durational support and/or logs of working time to support FTE calculations reported to ODE in accordance with criteria identified above.

Management's Response: We feel that the state's requirement for documentation to support student FTE hours was not communicated to us in a timely fashion. The year was half over before we were aware of the documentation being requested. This was our first year of operation and we had in place systems we felt would justify student time spend physically in class and time spent doing classroom work online when not in school. However the reports available to us through our software were not sufficient to account for every hour the student spent working on assignments. We do not feel that audit findings should be based on mandates received after the fact. The FTE determination is in the appeal process and we expect a decision by March.

January 30, 2017

To the Board of Directors
Ohio Valley Energy Technology Academy
Jefferson County, Ohio
10692 State Route 150
Rayland, Ohio 43943

Independent Accountant's Report on Applying Agreed-Upon Procedures

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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Ohio Valley Energy Technology Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted its anti-harassment policy in accordance with Section 3313.666 of the Revised Code.

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 Board and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

New Philadelphia, Ohio

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Dave Yost • Auditor of State

OHIO VALLEY ENERGY TECHNOLOGY ACADEMY

MONTGOMERY 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 23, 2017**