



Dave Yost • Auditor of State

**UTICA SHALE ACADEMY-BELMONT
BELMONT COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Utica Shale Academy-Belmont
Belmont County
210 West Church Street
Barnesville, Ohio 43713

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Utica Shale Academy-Belmont, Belmont County, Ohio (the Academy), a component unit of the Barnesville Exempted Village School District, Belmont County, Ohio, as of and for the year ended 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utica Shale Academy-Belmont, Belmont County, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Academy's Governing Authority approved a voluntary closure of the Academy effective June 30, 2016. Also, as discussed in Note 7C to the financial statements, the Academy's foundation funding is based on annualized full-time equivalent (FTE) enrollment of each student. During an FTE review, the Ohio Department of Education (ODE) found the Academy had an FTE of 14.96, which was 50.0 percent less than the 29.91 FTE reported. At the opinion date, the Academy had not yet completed the appeal process; therefore, a contingency has been disclosed. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2017

Utica Shale Academy - Belmont
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The discussion and analysis of the Utica Shale Academy - Belmont's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

The Academy completed its first and final year of operation during fiscal year 2016 as a high school community school for students looking for a possible career in the oil/gas industry. Enrollment varied during the year but averaged 27 students.

Key highlights for fiscal year 2016 are as follows:

- On March 24, 2016, the Board of Education of the Barnesville Exempted Village School District (Sponsor) authorized the closure of the Academy effective at the end of the contract between the Sponsor and the Academy, June 30, 2016.
- The Academy presented special items of (\$31,971) representing costs directly related to the closing of the Academy. Any cash balances remaining after the collection of all receivables and the payment of all liabilities will be returned to the Ohio Department of Education (ODE). ODE will allocate the remaining balance to the school districts in which the students who were enrolled in the school at the time it ceased operation were entitled to attend school under section 3313.64 or 3313.65 of the Revised Code. The amount distributed to each school district shall be proportional to the district's share of the total enrollment in the community school. This payment to ODE is included in the special item.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reflect how the Academy did financially during fiscal year 2016. These statements include all assets and liabilities 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 current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net position and changes in net position.

The Academy uses enterprise presentation for all of its activities.

Table 1 provides a summary of the Academy's net position for 2016.

Utica Shale Academy - Belmont
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 1
Net Position

	2016
<u>Assets:</u>	
Current and Other Assets	\$31,971
<u>Liabilities:</u>	
Current Liabilities	31,971
<u>Net Position:</u>	
Unrestricted	0
Total Net Position	\$0

Current and other assets reflect the balance of cash and cash equivalents as of June 30, 2016. Current and other liabilities reflect the intergovernmental payable to the Ohio Department of Education in relation to the special item for the closure of the Academy.

Table 2 reflects the changes in net position for fiscal year 2016.

Table 2
Change in Net Position

	2016
<u>Operating Revenues:</u>	
Foundation	\$234,977
Other Operating Revenue	25
Total Operating Revenues	235,002
<u>Non-Operating Revenues:</u>	
Interest Revenue	403
Total Revenues	235,405
<u>Operating Expenses:</u>	
Purchased Services	203,434
Special Items	(31,971)
Change in Net Position	0
Net Position at Beginning of Year	0
Net Position at End of Year	\$0

During fiscal year 2016, the Academy received State Foundation funding for enrolled students. During fiscal year 2016, the Academy made payments to the Sponsor, the Jefferson County Educational Service Center and the East Central Ohio Educational Service Center for instructional support services, fiscal support services, and other services in conjunction with the Academy's mission.

Utica Shale Academy - Belmont
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The special item in the amount of (\$31,971) includes costs directly related to the closure of the Academy. Any cash balances remaining after the collection of all receivables and the payment of all liabilities were estimated are reflected as an intergovernmental payable in accordance with ODE's community school closeout process. ODE will allocate the remaining balance to the school districts in which the students who were enrolled in the school at the time it ceased operation were entitled to attend school under section 3313.64 or 3313.65 of the Revised Code. The amount distributed to each school district shall be proportional to the district's share of the total enrollment in the community school.

Budgeting

The Academy is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets and Debt Administration

Capital Assets

The Academy had no capital assets.

Debt

The Academy had not incurred any debt.

Current Issues

The Academy was created in fiscal year 2016 to serve at-risk high school students in a blended learning format to ensure a high school diploma and prepare students for possible careers in the gas/oil industry. However, after one year of operations closure was deemed necessary, as it was determined it was in the best interest of the students to operate the program as a part of the curriculum of the Barnesville Exempted Village School District as opposed to a community school.

Contacting the the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, 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 financial information please contact Matt King, Treasurer/CFO at Barnesville Exempted Village School District (Sponsor), 210 W. Church Street, Barnesville, Ohio 43713 or Matt King, Treasurer/CFO at East Central Ohio Educational Service Center (fiscal agent for Academy), 834 East High Ave., New Philadelphia, Ohio 44663.

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Utica Shale Academy - Belmont

Statement of Net Position

June 30, 2016

Assets:

Current Assets:

Cash and Cash Equivalents \$31,971

Liabilities:

Intergovernmental Payable 31,971

Net Position:

Unrestricted 0

Total Net Position \$0

See accompanying notes to the basic financial statements

Utica Shale Academy - Belmont
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

<u>Operating Revenues:</u>	
Foundation	\$234,977
Other Operating Revenues	25
Total Operating Revenues	<u>235,002</u>
 <u>Operating Expenses:</u>	
Purchased Services	<u>203,434</u>
Operating Income	31,568
 <u>Non-Operating Revenues:</u>	
Interest Revenue	403
Special Item	<u>(31,971)</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>0</u>
Net Position at End of Year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Utica Shale Academy - Belmont
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundatio	\$234,977
Cash Payments to Suppliers for Goods and Services	(203,434)
Other Operating Revenues	<u>25</u>
Net Cash Provided by Operating Activities	31,568

Cash Flows from Investing Activities:

Interest on Investments	<u>403</u>
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Net Increase in Cash and Cash Equivalents 31,971

Cash and Cash Equivalents Beginning of Year 0

Cash and Cash Equivalents End of Year \$31,971

Noncash Activities:

At June 30, 2016, the Academy is reporting an intergovernmental payable in the amount of \$31,971 which was reported as a Special Item

See accompanying notes to the basic financial statements

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Utica Shale Academy – Belmont
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 - Description of the School

The Utica Shale Academy – Belmont (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy’s mission is to serve at-risk high school students in a blended learning format to ensure a high school diploma and prepare students for possible careers in the gas/oil industry. The Academy serves any eligible high school student residing in the State of Ohio.

The Academy began operations on March 3, 2015 by entering into a one year contract with the Barnesville Exempted Village School District (the Sponsor) beginning on July 1, 2015 and ending on June 30, 2016. 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 contracted with the East Central Ohio Educational Service Center to be the fiscal agent of the Academy. On March 8, 2016, the Academy’s Governing Authority approved a voluntary closure of the Academy effective June 30, 2016. On March 24, 2016 the Sponsor’s Board of Education agreed with the Governing Authority to close the Academy at the end of the contract between the Academy and Barnesville Exempted Village School District’s Board of Education, effective June 30, 2016.

The Academy operates under the direction of a five-member Governing Authority appointed by the Utica Shale Academy - Belmont. The Academy is a component unit of the Sponsor. The Sponsor can suspend the Academy’s operations for any of the following reasons, failure to meet student performance requirements stated in its contract with the Sponsor; failure to meet generally accepted standards of fiscal management; failure to obtain adequate financing; failure to satisfy expenses, debts, encumbrances, when such liabilities become due; failure to timely pay officers, directors, administrators, employees, agents, or contractors for services rendered; insolvency; violation of any provisions of the contract with the Sponsor or applicable state or federal law; other good cause. The Governing Authority is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Academy and the pupils it serves. The Academy has an agreement with the Sponsor to provide staffing services. Thus, the Academy does not have any employees. The Academy rented the facilities of the Sponsor.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principals (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 more significant of the Academy’s accounting policies are described below.

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

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

Utica Shale Academy – Belmont
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period 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. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on a bi-annual basis.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2016.

F. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The statement of net position reported no restricted net position and had no monies restricted by enabling legislation. Due to the closure of the Academy, net position had a zero balance at fiscal year-end.

G. 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

Utica Shale Academy – Belmont
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

H. 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.

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 Academy or the Sponsor and that are either unusual in nature or infrequent in occurrence. For fiscal year 2016, the Academy is reporting a special item representing costs directly related to the closing of the Academy. See Note 8 for further details.

Note 3 - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2016, the bank balances of the Academy's deposits were \$31,971. All of the bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the Academy.

Note 4 - Risk Management

The Academy was exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2016, the Academy obtained general liability under the terms of the contract with the Sponsor.

The types and amounts of coverage provided are as follows:

<i>General Liability:</i>	
Each Occurrence	\$1,000,000
Aggregated Limit	2,000,000
Medical Payments Limit	15,000
Rented Property Limit	300,000
Personal Advertising and Injury Limit	1,000,000
Products and Completed Operations Limit	2,000,000

Settled claims have not exceeded this commercial coverage.

Utica Shale Academy – Belmont
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 5 - Purchased Services

For fiscal year 2016, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Instructional Support Services	\$160,398
Vitrual Learning Academy Fees	5,350
Fiscal and EMIS Services	19,232
Administrative Support Services	3,500
Rent and Property Services	2,720
Food Services	5,015
Sponsorship Fees	<u>7,219</u>
Total	<u>\$203,434</u>

For fiscal year 2016, the Academy contracted for services in order to fulfill its mission. The Academy contracted with the Jefferson County Educational Service Center for curriculum services and delivery system, system support services, and guidance on course sequence. The Academy contracted with Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), as a non-member participant, for computer support services. The Academy contracted with the Sponsor for instructional support services, administrative services, rent and property services, and food services. The Academy contracted with the East Central Ohio Educational Service Center for fiscal agent and EMIS coordinator services.

Note 6 - Related Party Transactions

Barnesville Exempted Village School District is the Sponsor of the Academy, and presents the Academy as a discretely presented component unit on its financials. During fiscal year 2016, the Academy paid the Sponsor \$178,851 for instructional support services, administrative support services, rent and property services, food services, and sponsorship fees. At June 30, 2016, the Academy did not owe any further costs to the Sponsor.

Note 7 - Contingencies

A. Grants

The Academy received financial assistance from 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 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.

B. State Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, 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

Utica Shale Academy – Belmont
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

information is updated by the Academy, 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.

C. Final Full-Time Equivalency (FTE) Determination

On June 7, 2016, the Ohio Department of Education (ODE) completed a review of classroom time, log-in and log-out records, and non-classroom documentation, pursuant to Ohio Revised Code Section 3314.08(H). ODE determined that the Academy’s FTE for the 2015-2016 school year was 14.96, which was 50.0 percent less than the 29.91 FTE reported. The final determination was based on the failure of the Academy to provide any durational documentation for on-line or non-classroom, non-computer learning opportunities. The Academy has appealed the determination to the State Board of Education. By agreement of both the State Board of Education and the Academy the date for the hearing in this matter is continued indefinitely. No adjustment to the FTE number (and funding) will be made until the Academy exhausts its appeal rights.

D. Litigation

As documented within the Final Full-Time Equivalency (FTE) Determination note above, the Academy is currently appealing the ODE funding of the FTE for the 2015-2016 school year of 14.96. A hearing date has not been set yet.

Note 8 - Special Item: Closure of Utica Shale the Academy - Belmont

On March 24, 2016, the Sponsor’s Board of Education approved the closure and discontinuation of the contract between the Sponsor and the Academy, at the conclusion of the contract, effective at fiscal year-end June 30, 2016. This closure was deemed necessary by the Academy as it was determined it was in the best interest of the students to operate the program as a part of the curriculum of the Barnesville Exempted Village School District as opposed to a community school.

The Academy is reporting a special item representing costs directly related to the closure. This amount includes the remaining cash balances which will be returned to the Ohio Department of Education (ODE) after the collection of all receivables and the payment of all liabilities according to ODE closing procedures. ODE will allocate the remaining balance to the school districts in which the students who were enrolled in the school at the time it ceased operation were entitled to attend school under section 3313.64 or 3313.65 of the Revised Code. The amount distributed to each school district shall be proportional to the district's share of the total enrollment in the community school. This amount is included in intergovernmental payable on the Statement of Net Position. A summary of principal items included as a special item on the Statement of Revenues, Expenses, and Changes in Net Position follows:

	<u>Amounts</u>
State Foundation to be returned to the Ohio Department of Education	<u>\$31,971</u>

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Dave Yost • Auditor of State

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

Utica Shale Academy-Belmont
Belmont County
210 West Church Street
Barnesville, Ohio 43713

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Utica Shale Academy-Belmont, Belmont County, Ohio (the Academy), a component unit of the Barnesville Exempted Village School District, Belmont County, Ohio, as of and for the year 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 March 13, 2017, wherein we noted the Academy's Governing Authority approved a voluntary closure of the Academy effective June 30, 2016. We also noted the Academy is in the process of appealing the Ohio Department of Education's FTE review for the Academy.

Internal Control Over Financial Reporting

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

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

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

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 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. We did not audit the Academy's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2017

UTICA SHALE ACADEMY-BELMONT
BELMONT COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 3314.02(A)(7) defines an Internet-or computer-based community school as a community school established under this chapter in which the enrolled students work primarily from their residences on assignments in non-classroom-based learning opportunities provided via an Internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods that include Internet-based, other computer-based and non-computer-based learning opportunities.

Ohio Rev. Code § 3314.08(H)(2), in part, states learning opportunities shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school.

Ohio Department of Education FTE Review and Community School Enrollment Handbook, Revised January 2015, Section Non-Classroom/Non-Computer Learning Activities states that there must be a written plan, specific to each student and each course, which details the subject matter to be mastered and tasks to be completed by the student to obtain a specified number of credits toward graduation. That plan must be signed by a representative of the school and the student's parent/guardian or the student if the student is 18 years old or older. The actual number of hours the student spends working towards completing his or her plan must be tracked and recorded in a written or electronic student participation log that indicates the dates and times the work was done.

The Academy, which qualifies as an internet-or computer-based community school, provides computer and non-computer learning opportunities to the students. In order to better meet the needs of each student, the Academy utilizes several Education Learning Management System (ELMS) and/or modules to provide the students with educational instruction. On-line time is completed using two sets of curriculum. Curriculum provided by Virtual Learning Academy (VLA) and curriculum provided by Petro Ed, an oil and gas certification provider. Attendance was kept daily by the instructor and included both "in seat" and on-line verification. The on-line time only showed log in and log off times and was not able to show accumulated time by day, week, or month.

The Ohio Department of Education (ODE) performed a full time equivalent (FTE) review on the Academy for year-ended 2016. The results to ODE's FTE review showed 14.96 FTEs were supported by documentation of computer and non-computer learning opportunities, which is 50.0 percent less than the 29.91 FTE reported by the Academy. The Academy has since appealed ODE's findings.

The Academy should implement procedures to ensure that student participation is properly tracked for both classroom and non-classroom based learning opportunities. This will ensure that the Academy has the proper documentation to support the full time equivalency information submitted to the Ohio Department of Education.

Officials' Response: Utica Shale Academy-Belmont has filed an appeal with the Ohio Department of Education and is awaiting a decision at this time.

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Dave Yost • Auditor of State

UTICA SHALE ACADEMY-BELMONT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 23, 2017**