



Dave Yost • Auditor of State



**NORTHMONT SECONDARY ACADEMY  
MONTGOMERY COUNTY  
JUNE 30, 2017**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northmont Secondary Academy  
Montgomery County  
4001 Old Salem Road  
Englewood, Ohio 45322

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of Northmont Secondary Academy, Montgomery County, Ohio (the Academy), a component unit of Northmont City School District, as of and for the year ended June 30, 2017, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of Northmont Secondary Academy, Montgomery County, Ohio, a component unit of Northmont City School District, as of June 30, 2017, and the change in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 10 to the financial statements, the Academy ceased operations on June 30, 2017. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 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

September 7, 2017

Northmont Secondary Academy  
Statement of Net Cash Position  
June 30, 2017

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	Northmont Secondary Academy
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,564</u>
Total Assets	<u>18,564</u>
Net Cash Position:	
Unrestricted	<u>18,564</u>
Total Net Cash Position	<u><u>\$18,564</u></u>

See accompanying notes to the basic financial statements.

Northmont Secondary Academy  
Statement of Receipts, Disbursements and Changes in Net Position - Cash Basis  
For the Fiscal Year Ended June 30, 2017

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	Northmont Secondary Academy
Operating Receipts:	
State Foundation	<u>\$206,994</u>
Total Operating Receipts	<u>206,994</u>
Operating Disbursements:	
Purchased Services	185,631
Materials and Supplies	1,900
Other Disbursements	<u>20,158</u>
Total Operating Disbursements	<u>207,689</u>
Operating Loss	<u>(695)</u>
Non-Operating Receipts:	
State Grants	<u>12,853</u>
Total Non-Operating Receipts	<u>12,853</u>
Change in Net Cash Position	12,158
Net Cash Position - Beginning of Year	<u>6,406</u>
Net Cash Position - End of Year	<u><u>\$18,564</u></u>

See accompanying notes to the basic financial statements.



**Northmont Secondary Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Note 1 - Description of the Academy**

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Northmont Secondary Academy (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. 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 that includes therapeutic opportunities which can be delivered to students in the grades 9 through 12. The Academy is a public school that provides an alternative to the traditional educational setting. The Academy serves a student population who are identified as at risk due to drug and/or alcohol involvement, severe emotional disturbance, multiple disabilities, partial hospitalization, or as an alternative to suspension/expulsion. 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 was certified by the State of Ohio Secretary of State as a non-profit organization on March 1, 2013. The Academy was approved for operation under a contract with the Northmont City School District (the "Sponsor") for a period beginning March 11, 2013 through June 30, 2018. 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 the direction of a three-member Board of Directors. The Academy's Board of Directors is appointed by the Northmont City School District Board of Education. The Sponsor's assistant treasurer shall be a non-voting ex officio member of the Academy's Board of Directors. Directors each serve a two year term. A resignation or vacancy on the Board of Directors will be appointed for the remaining term by the Northmont City School District Board of Education. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy is a component unit of Northmont City School District.

The Academy has developed a cooperative arrangement with the Sponsor. See Note 7 for further detail on the service agreement.

**Note 2 - Summary of Significant Accounting Policies**

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The Academy has utilized existing programs within the existing structure of the Northmont City School District.

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles general accepted in the United States of America (GAAP). Generally accepted accounting principles include all the relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its

**Northmont Secondary Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, net position, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

**Basis of Presentation**

Enterprise fund 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 (disbursements) 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 receipts earned, disbursements incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**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 Academy's contract with its Sponsor. The contract between the Academy and its Sponsor 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.

**Equity in Pooled Cash and Cash Equivalents**

All monies received by the School are maintained in demand deposit accounts and recorded on the statement of net cash position as "Equity in Pooled Cash and Cash Equivalents."

**Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected in the accompanying financial statements under the cash basis of accounting. Additionally, the Academy does not own any capital assets. They are all owned by Northmont City Schools.

**Net Cash Position**

Net cash position is 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 cash positions are available. There were no restrictions for 2017.

**Operating and Non-Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly by the Academy's primary mission as well as other charges for services and other operating revenues. For the Academy, operating receipts

**Northmont Secondary Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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include foundation payments, and casino revenue received from the State of Ohio. Operating disbursements are necessary costs incurred to support the Academy's primary mission.

Non-operating receipts and disbursements are those that are not generated directly by the Academy's primary mission. Various state and federal grants, as well as interest revenue comprise the non-operating receipts of the Academy. The Academy reported no non-operating disbursements for fiscal year 2017.

**Intergovernmental Receipts**

The Academy currently participates in the State Foundation Program. Receipts received during the period from this program are recognized as operating revenues. Most other federal and state grants, and entitlements are recognized as non-operating receipts in the accounting period in which all eligibility requirements of the grants have been met.

**Income Taxes**

The Academy is a component unit of Northmont City School District and is exempt from Federal income tax as an exempted affiliate of a governmental unit. Accordingly, no income tax expense is recorded in the accompanying financial statements.

**Note 3 – Deposits**

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At June 30, 2017, the carrying amount of all Academy deposits was \$18,564. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, none of the Academy's bank balance of \$18,564 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**Note 4 – Contract Services**

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For fiscal year ended June 30, 2017, purchased services disbursements were as follows:

Purchased Services	\$185,631
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\$181,836 of the purchased services amounts are related party transactions since these services are purchased through the Sponsor, Northmont City School District. See Note 8 for further information. \$3,717 of the purchased services amount are related to services purchased through META Solutions, see Note 9 for further information. The remaining \$78 of the purchased services amount is related to other miscellaneous purposes.

**Northmont Secondary Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Note 5 – Risk Management**

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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.

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General Liability:		
Each Occurrence	\$1,000,000	\$0
Annual Aggregate	3,000,000	0
Employee Benefits Liability:		
Each Occurrence	1,000,000	5,000
Annual Aggregate	3,000,000	5,000
School Leader's Errors and Omissions:		
Each Occurrence	2,000,000	1,000
Annual Aggregate	2,000,000	1,000
School Law Enforcement Liability:		
Each Occurrence	n/a	n/a
Annual Aggregate	n/a	n/a
Property	28,647,325	2,500

Settled claims resulting from these risks have not exceeded commercial insurance coverage in fiscal year 2017. There has been no significant reduction in amounts of insurance coverage from fiscal year 2016.

**Note 6 - Contingencies**

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**Litigation**

The Academy is not involved in any litigation.

**State Foundation Funding**

Academy Foundation funding is based on the annualized full time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools 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 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, 2017 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 money owed to the Academy or money due back to the Ohio Department of Education.

**Note 7 - Service Contract**

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The Northmont City School District and the Academy have entered into a service contract agreement. This agreement states that the Academy will contract for educational services from the Northmont City School District Board of Education and reimburse the Board of Education for these services.

**Northmont Secondary Academy**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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The Northmont City School District agreed to provide the requested services and receive reimbursement from the Academy pursuant to Ohio Revised Code Section 3317.11 as follows:

1. Services for the intensive day treatment program
2. Services for the High School S.E.D. program
3. Services for the Recovery/Alcohol program
4. Services for the Suspension Alternative program
5. Collaboration for staff development programs for certified and non-certified staff
6. Planning and consultative services for curriculum development
7. Psychological services as needed for re-evaluations and initial multi-factored evaluations
8. Fiscal services including payroll, retirement, and insurance
9. Student services including E.M.I.S., Nursing, Speech, Guidance and Therapy
10. Classroom space and administrative services
11. Custodial services
12. Food services
13. Transportation services
14. Supervision/Director services
15. Office Management services
16. Classroom aides for instructional and non-instructional areas
17. Technology support

The Northmont Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aide whose services are to be shared with Northmont City School District. Other services may be provided based on mutual consent of both the Academy and the Northmont City School District.

**Note 8 - Related Party Transaction**

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The Academy is a component unit of the Sponsor (Northmont City School District). The Academy and the Sponsor entered into an agreement beginning March 11, 2013 through June 30, 2018, whereby terms of the sponsorship were established. Pursuant to this agreement, the Sponsor's Assistant Treasurer serves as the Academy's fiscal officer. In fiscal year 2017, payments were made by the Academy to the Sponsor totaling \$181,836. These represent payments for reimbursements for services provided by the Sponsor to the Academy.

**Note 9 - META Solutions**

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The Metropolitan Educational Technology Association (META), which is a computer consortium, is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president, and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each School's degree of control is limited to its representation on the Board. The Academy paid META \$3,717 for

**Northmont Secondary Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017**

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services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

**Note 10 – Dissolution of Academy**

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On March 16, 2017, the Academy approved a Joint Resolution of Intent with the Northmont City School District to be dissolved at the end of the 2016-2017 school year. The Academy’s program will be transitioned at the beginning of the 2017-2018 school year for the program to be directly operated as a program of Northmont City School District.

**Note 11 – Subsequent Event**

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The Academy’s bank account balance as of August 31, 2017 was \$15,938.

The following transactions occurred subsequent to June 30, 2017:

<b>Check Number</b>	<b>Date</b>	<b>Vendor</b>	<b>Purpose</b>	<b>Amount</b>
1166	August 1, 2017	Treasurer of State	Audit Fees	\$2,624.00



# 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

Northmont Secondary Academy  
Montgomery County  
4001 Old Salem Road  
Englewood, Ohio 45322

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of Northmont Secondary Academy, Montgomery County, (the Academy), a component unit of Northmont City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 7, 2017, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles. We also noted the Academy ceased operations on June 30, 2017.

### ***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.

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

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 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. We consider findings 2017-003 and 2017-005 described in the accompanying schedule of finding to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-001 described in the accompanying schedule of findings to be a significant deficiency.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-005.

***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.

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

September 7, 2017



**NORTHMONT SECONDARY ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Noncompliance and Significant Deficiency**

**Ohio Rev. Code § 3314.03(A)(29)(d)** states, in part, that each contract entered into between a sponsor and the governing authority of a community school operating using a blended learning model shall specify the school's attendance requirements, including how the school will document participation in learning opportunities.

Upon review of Northmont Secondary Academy's contract with the Northmont City School District (the Sponsor), we noted that provisions of the contract define the educational curriculum. At no point within the contract does it specify how the Academy or the Sponsor intends to comply with documenting the school's attendance requirements, including how the Academy will document participation in learning opportunities as established by the Ohio Department of Education (ODE).

This broad approach to the Sponsor contract and the use of non-specific verbiage could cause the Academy to fail to comply with Ohio law and requirements established by ODE. These potential failures could affect the Sponsor's ability to continue sponsoring schools in the future as well as have a potential impact on the Academy's funding from ODE.

The Sponsor and the Academy should have developed a contract that provided specific definitions and procedures that would help ensure compliance with the various Ohio Rev. Code Sections, as well as the various requirements of ODE.

This issue will be referred to Ohio Department of Education.

**Officials' Response:**

We did not receive a response from Academy officials to this finding.

**FINDING NUMBER 2017-002**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not described a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**FINDING NUMBER 2017-002  
(Continued)**

**Ohio Admin. Code § 117-2-03(B)** requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Academy prepared its fiscal year 2017 financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, equity, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Academy should have prepared its financial statements in accordance with generally accepted accounting principles to provide users with more meaningful and useful financial statements.

**Officials' Response:**

We did not receive a response from Academy officials to this finding.

**FINDING NUMBER 2017-003**

**Noncompliance and Material Weakness**

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

**Ohio Rev. Code § 3314.08(H)(2)** provides in part, a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, "learning opportunities" shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school.

**Ohio Rev. Code § 3314.08(H)(3)** states, in part, the department shall determine each community school student's percentage of full-time equivalency (FTE) 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.

**FINDING NUMBER 2017-003  
(Continued)**

The Academy offered one thousand one hundred five and a half hours of in-class instruction for students in grades nine through eleven and one thousand eighty-three and a half hours of in-class instruction for students in grade twelve during the 2016-2017 school year. However, insufficient documentation was maintained to differentiate between online courses being completed during school hours and online courses being completed outside of school hours to supplement the total hours of required instruction.

The Academy's procedures to track FTE during fiscal year 2017 was to assess FTE based on the period between a student's enrollment date and withdrawal date, if applicable, or last day of school. If a student was enrolled the entire school year, the Academy reported an FTE of 1 for the student; similarly, for example if a student was enrolled for a period of 60 days out of a possible 175 days, the Academy reported an FTE of .34 out of 1 for the student in EMIS. The Academy did not have policies or procedures in place during the audit period to capture the duration of time a student was engaged in learning opportunities.

The Academy did attempt to collect the time students were logged into the PLATO learning online class system to capture the duration of learning activities outside of in-class instruction. However, the Academy's report only documented the duration of time a student was taking a certain class on a certain day. The Academy was unable to collect information on whether or not all of this time was outside of the classroom or if some of the time was attributed to in class instruction as well, besides time spent by students on Saturday or Sunday. While the Ohio Department of Education (ODE) would have accepted manual tracking of hours spent on learning opportunities as a substitute for the time spent on the computer, the Academy did not have a manual tracking process in place during the audit period to distinguish between computer time in the classroom and computer time outside of the classroom.

The Academy's inability to provide documentation to support the FTE requirements for durational engagement for each student in EMIS could result in a potential liability owed to ODE for over-funding. The quantitative impact of a potential liability, if any, could not be readily determined at this time.

The Academy should have reviewed the statutory requirements to determine what documentation was needed to support the Academy's data reported for each student. Furthermore, the Academy should have considered using ODE's most recent FTE manual as further guidance to determine what information ODE considers to be needed to support FTE. In addition, the Academy should have developed policies and procedures to capture the duration of time spent by students on computer, as well as time spent on non-computer learning opportunities.

This issue will be referred to Ohio Department of Education.

**Officials' Response:**

We did not receive a response from Academy officials to this finding.

#### FINDING NUMBER 2017-004

##### Noncompliance

**Ohio Rev. Code § 3302.41(A)** states, in part, any community school established under Chapter 3314 of the Revised Code may operate all or part of a school using a blended learning model. If a school is operated using a blended learning model or is to cease operating using a blended learning model, the superintendent of the school or district or director of the school shall notify the department of education of that fact not later than the first day of July of the school year for which the change is effective. If any school district school, community school, or STEM school is already operated using a blended learning model on the effective date of this section, the superintendent of the school or district may notify the department within ninety days after the effective date of this section of that fact and request that the school be classified as a blended learning school.

During fiscal year 2017 the Academy had students who were only educated online (e-school), students who were only educated at the Academy, and students who were educated using a combination of online and in person lessons (blended). There was no indication that the Academy notified ODE of its e-school and blended learning model for fiscal year 2017.

The Academy should have implemented procedures to annually report to the Ohio Department of Education its intent to offer blended learning opportunities.

This issue will be referred to Ohio Department of Education.

##### Officials' Response:

We did not receive a response from Academy officials to this finding.

#### FINDING NUMBER 2017-005

##### Noncompliance and Material Weakness

**Ohio Rev. Code § 3314.08(H)(2)** states, in part, that a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. For purposes of applying this division and divisions (H)(3) and (4) of this section to a community school student, "learning opportunities" shall be defined in the contract, which shall describe both classroom-based and non-classroom-based learning opportunities and shall be in compliance with criteria and documentation requirements for student participation which shall be established by the department of education. Any student's instruction time in non-classroom-based learning opportunities shall be certified by an employee of the community school. A student's enrollment shall be considered to cease on the date on which any of the following occur:

- The community school receives documentation from a parent terminating enrollment of the student.
- The community school is provided documentation of a student's enrollment in another public or private school.
- The community school ceases to offer learning opportunities to the student pursuant to the terms of the contract with the sponsor or the operation of any provision of this chapter.

**FINDING NUMBER 2017-005  
(Continued)**

The Academy followed the same truancy procedures as the Northmont City School District (the Sponsor). These procedures state, in part, that a student with five or more unexcused absences on consecutive school days, or seven or more unexcused absences in one school month, or twelve or more unexcused absences in one school year, may be considered a "habitual" truant under Section 3321.191 of the Ohio Revised Code, and may be subject to action by the Academy.

For student withdrawals tested, it appeared the Academy was not following established policies for truant students. One of fifty-one students was noted as being withdrawn for transfer to other Ohio school district, but the student stopped attending the Academy on November 1, 2016 and was not withdrawn until January 9, 2017 when the Academy received notification that the student transferred to another District. The Academy noted it was trying to work with the student to determine if the student was transferring to another school or planning to continue to attend the Academy and the student was not withdrawn due to that reason.

The lack of timely withdrawals could lead to inaccurate reporting of full time equivalency (FTE) to Ohio Department of Education (ODE), which could cause improper funding to the Academy and improper financial statement amounts.

The Academy should have taken steps to ensure that withdrawal procedures were made timely, were supported by proper documentation, and adhered to ODE guidelines and the Academy's policies.

This issue will be referred to Ohio Department of Education.

**Officials' Response:**

We did not receive a response from Academy officials to this finding.

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**NORTHMONT SECONDARY ACADEMY  
MONTGOMERY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	<b>Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B)</b> – Failure to File a GAAP Basis Report; Failure to File Report in Required Timeframe	Not corrected – repeated as Finding Number 2017-002	The Academy is taking this action as a cost-saving measure.
2016-002	<b>Ohio Rev. Code Section 3302.41(A)</b> – Failure to Notify ODE of Blended Learning.	Not corrected – repeated as Finding Number 2017-004	The Academy did not notify ODE of blended learning due to the Academy’s closure at the end of the 2016-2017 school year.
2016-003	<b>Ohio Rev. Code Section 3314.03(A)(29)(d)</b> – Failure to develop a contract that provides specific definitions and procedures for documenting the Academy’s attendance requirements	Not corrected – repeated as Finding Number 2017-001	The Academy did not develop a new contract. The Academy has closed and no plans were made to correct this issue.
2016-004	<b>Ohio Rev. Code Section 3314.08(H); 3314.08(H)(2); 3314.08(H)(3); 3314.03(A)(11)(a)</b> – Failure to accurately track and report FTE for students participating in e-school and blended learning opportunities.	Not corrected – repeated as Finding Number 2017-003	The Academy did not change the method of reporting FTE to follow acceptable guidelines due to closure at the end of the 2016-2017 school year.
2016-005	<b>Ohio Rev. Code Section 3314.08(H)(2)</b> – Failure to accurately document in a timely manner, enrollments and withdrawals	Not corrected – repeated as Finding Number 2017-005	The Academy was working with this student to determine if the student was transferring to another school or planning to continue the Academy and was not withdrawn for that reason.

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# Dave Yost • Auditor of State

**NORTHMONT SECONDARY 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  
DECEMBER 28, 2017**