



Dave Yost • Auditor of State

**OHIO VALLEY ENERGY TECHNOLOGY ACADEMY
JEFFERSON COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ohio Valley Energy Technology Academy
Jefferson County
10692 State Route 150
Rayland, Ohio 43943

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Valley Energy Technology Academy, Jefferson County, Ohio (the Academy) as of and for the 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 accounting principles generally accepted in the United States of America. This responsibility includes the 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 the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Academy prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Ohio Valley Energy Technology Academy as of June 30, 2017, and the respective changes in financial position thereof for the year then ended.

Emphasis of a Matter

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Notes 2 and 10 to the financial statements, the Academy has closed effective June 2, 2017. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter. In addition, as described in Note 7 the Academy changed their accounting basis from GAAP to a Regulatory Cash basis. Our opinion is modified as described above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2018 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

July 17, 2018

Ohio Valley Energy Technology Academy
 Jefferson County
*Statement of Receipts, Disbursements
 and Changes in Fund Balances (Regulatory Cash Basis)*
 Proprietary Fund Type
 For the Year Ended June 30, 2017

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
State Foundation	\$309,069
State Casino Revenues	2,407
Refund of Prior Year's Expenditure	3,001
	314,477
<i>Total Operating Cash Receipts</i>	<i>314,477</i>
Operating Cash Disbursements	
Salaries	5,500
Fringe Benefits	576
Purchased Services	224,358
Materials and Supplies	66,422
Other	39,929
	336,785
<i>Total Operating Cash Disbursements</i>	<i>336,785</i>
<i>Operating (Loss)</i>	<i>(22,308)</i>
Non-Operating Receipts	
Federal and State Grants	6,298
	(16,010)
<i>Net Change in Fund Cash Balance</i>	<i>(16,010)</i>
<i>Fund Cash Balance, July 1</i>	<i>30,247</i>
<i>Fund Cash Balance, June 30</i>	<i>\$14,237</i>

See accompanying notes to the basic financial statement.

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Ohio Valley Energy Technology Academy

Jefferson County, Ohio

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 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. At its May 10, 2017 Governing Board meeting, the Board adopted a resolution to disband the Academy effective June 2, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code 117-2-03 (B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the Academy has chosen to prepare its financial statements on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred.

B. 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.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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. Tax Exempt 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.

E. 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 fiscal year 2017, the Academy participated in the IDEA Title VI-B federal grant program. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

F. Operating Revenues and Expenses

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

G. Closure of the Academy

As addressed in Note 1, the Governing Board adopted a resolution to disband the Academy effective June 2, 2017. The remaining available funds at June 30, 2017 are not sufficient to pay all accumulated outstanding obligations. Fiscal Agent will disburse the remaining funds as appropriate.

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 3 – DEPOSITS

At June 30, 2017, the carrying amount of the Academy’s deposits was \$14,237. All of this balance was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit of funds by the Academy.

NOTE 4 – PURCHASED SERVICES

For the fiscal year ended June 30, 2017, purchased services expenses were all for professional and technical services. For the fiscal year ended June 30, 2017, the Academy recognized \$94,362 in expenses for educational services and curriculum provided by the Jefferson County Educational Service Center.

NOTE 5 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. For the year ended June 30, 2017, the Academy contracted with McBane Insurance & Financial Services, Inc.

NOTE 6 – RELATED PARTY TRANSACTION

For the period July 1, 2016 through June 30, 2017 the Academy incurred expenses of \$3,025 to their Sponsor for educational facility costs.

NOTE 7 – RESTATEMENT OF FUND BALANCE

The Academy has restated the fund balance at June 30, 2016 as a result of a change in accounting methods, from a GAAP Basis in fiscal year 2016 to a Regulatory Cash Basis in fiscal year 2017 to reflect the following:

	Proprietary Fund
Fund Net Position at June 30, 2016	\$58,530
Change in Fund Balance from GAAP to Regulatory	(28,283)
Restated Fund Cash Balance at June 30, 2016	\$30,247

Ohio Valley Energy Technology Academy
Jefferson County, Ohio
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 8 – ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

The Academy failed to properly prepare their financial statements in accordance with generally accepted accounting principles as required by ORC Section 117.38 and OAC Section 117-02-03 (B).

NOTE 9 – SCHOOL FOUNDATION

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017. As a result, the impact of the date of this report, additional ODE adjustments for fiscal year 2017 have been finalized which resulted in \$607 due to the ODE. The full amount has been repaid to the ODE.

In addition, the Academy’s contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 have been finalized. The impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable since the Academy is reporting on a cash basis and has closed.

NOTE 10 – SUBSEQUENT EVENT

A Subsequent Event is an event or transaction that affects the financial statement that is subsequent to the date of the financial statements (i.e. Fiscal Year End June 30, 2017) but before financial statement are issued. As stated in Note 1 the Academy disbanded June 2, 2017. As a result we deem it necessary to disclose all expenditures made by the Academy subsequent to the financial statement date.

Warrant #	Date	Vendor	Purpose	Amount
114	11/29/17	Ohio Department of Education	FTE Settlement Agreement Payment	\$607
115	12/4/17	Hylant	Fiscal Officer Bond Renewal	158
116	12/5/17	Herald Star	Legal Notice	16
118	5/9/18	Buckeye Local School District	Fiscal Fees	14,581



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*

Ohio Valley Energy Technology Academy
Jefferson County
10692 State Route 150
Rayland, Ohio 43943

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 Ohio Valley Energy Technology Academy, Jefferson County, Ohio (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated July 17, 2018, wherein we issued an adverse opinion on the financial statements because the Academy did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03. In addition, we noted the Academy has closed effective June 2, 2017. Finally, we noted the Academy changed their accounting basis from GAAP to a Regulatory Cash basis.

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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

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, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

July 17, 2018

**OHIO VALLEY ENERGY TECHNOLOGY ACADEMY
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance

Ohio Administrative Code Section 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. The Academy filed financial statements with the Auditor of State, but those statements followed a regulatory cash basis of accounting rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, deferred outflows, liabilities, deferred inflows, fund net position, and disclosures that while material cannot be determined at this time. The Academy is subject to fines and various other administrative remedies.

Additionally, per **Ohio Rev. Code § 117.38**, entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. The Academy did not file its cash basis financial statements until November 20, 2017.

Auditor of State Bulletin 2000-005 indicates for year-end financial statement reporting purposes, the Auditor of State's Office requires that all financial activity of the community school be reported within one Enterprise Fund. The unaudited cash basis financial statements filed with the Auditor of State's Office contained a general fund and a federal fund.

The Academy lacked procedures to help ensure the financial statements were filed in accordance with the applicable laws and Auditor of State guidelines.

The Academy should prepare its annual financial report in accordance with generally accepted accounting principles. Additionally, the Academy should file its financial statements by the required deadline in the format mandated by the Auditor of State's Office.

Official's Response: We did not receive a response from Officials to this finding.

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Ohio Valley Energy Technology
Academy

10692 State Route 150
Rayland, Ohio 43943

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	ORC 3317.022 – FTE's based on student attendance for classroom and non-instruction for an entire day of learning opportunities, instead of reporting based on the amount of time spent on learning opportunities.	Fully Corrected	Changed procedure on how students attendance is calculated. FY 16 balance due ODE, FY 17 owed from ODE. Settled for payment of difference.

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OHIO VALLEY ENERGY TECHNOLOGY ACADEMY

JEFFERSON 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
AUGUST 16, 2018