



Dave Yost • Auditor of State

**FOXFIRE EAST ACADEMY
GUERNSEY COUNTY
JUNE 30, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Basic Financial Statements.....	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Foxfire East Academy
Guernsey County
60901 Beech Grove Lane
Cambridge, Ohio 43725

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Foxfire East Academy, Guernsey County, Ohio (the Academy), a component unit of the Rolling Hills Local School District, Guernsey 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 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 financial position of the Foxfire East Academy, Guernsey County, Ohio, as of June 30, 2016, and the changes in 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.

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Emphasis of Matter

As discussed in Note 9 to the financial statements, the Academy's funding is based on annualized full-time equivalent (FTE) enrollment of each student. The Academy is a blended learning community school in which four hours daily is obtained through a classroom-based learning opportunity and two hours daily is obtained through non-classroom-based learning opportunity. The Academy did not provide adequate documentation to support the hours credited for students working a job or time spent at community service volunteering. The Academy did not retain these records and therefore the credit earned for non-classroom-based learning opportunity that was included in the students FTE calculations by the Academy could not be reasonably substantiated or relied upon. The quantitative impact of a potential liability, if any, could not be readily determined at this time.

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 May 30, 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

May 30, 2017

Foxfire East Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The discussion and analysis of the Foxfire East Academy's (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 opened for its first year of operation in fiscal year 2016 for high school age students and above who have dropped out or are at risk of dropping out of school. During fiscal year 2016, the Academy provided services to 42 full-time students.

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 position. The change in net position is important because it tells the reader whether the financial position of the Academy has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

All of the Academy's activities are reported in a single enterprise fund.

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

Table 1 - Net Position

	<u>2016</u>
<u>Assets:</u>	
Current and Other Assets	<u>\$98,927</u>
<u>Liabilities:</u>	
Current and Other Liabilities	<u>557</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$98,370</u></u>

The Academy had unrestricted net position of \$98,370 after its first full year of operation. The Academy receives Foundation payments from the State based on the number of full-time equivalency students. At June 30, 2016, the Academy has \$38,347 in receivables related to federal grant monies that were not drawn down in fiscal year 2016. The Academy also had \$492 in accounts payable and \$65 in intergovernmental payables at June 30, 2016.

Table 2 reflects the changes in net position for fiscal year ended June 30, 2016.

Foxfire East Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2 - Change in Net Position

	2016
<u>Operating Revenues:</u>	
Foundation	\$284,053
<u>Non-Operating Revenues:</u>	
State and Federal Grants	39,165
Interest	85
Other Non-Operating Revenue	100
<i>Total Non-Operating Revenues</i>	39,350
<i>Total Revenues</i>	323,403
<u>Operating Expenses:</u>	
Salaries	4,000
Fringe Benefits	306
Purchased Services	202,807
Materials and Supplies	17,920
<i>Total Operating Expenses</i>	225,033
<i>Change in Net Position</i>	98,370
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$98,370

In 2016, the Academy received the majority of its revenue from the Ohio Department of Education through the State Foundation. Additional revenues were received from other State and Federal grants. The majority of purchased services are payments made to Ohio Valley Educational Service Center for the provision of instructional staff, and to the Sponsor for building rental and other support services.

Budgeting

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

Current Design

The Academy had a successful first year of operation. With Sponsor and community support, the Academy continues to expand its services. In addition to academics, the Academy offers counseling and addiction support, as well as support in other areas where the students may need additional assistance versus what a traditional school is able to provide.

Contacting 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 contact Kandi Raach, Treasurer, Foxfire East Academy, P.O. Box 38, Byesville, Ohio 43723.

Foxfire East Academy
Statement of Net Position
June 30, 2016

Assets:

Current Assets:

Cash and Cash Equivalents	\$60,580
Intergovernmental Receivable	38,347
<i>Total Assets</i>	<u>98,927</u>

Liabilities:

Current Liabilities:

Accounts Payable	492
Intergovernmental Payable	65
<i>Total Liabilities</i>	<u>557</u>

Net Position:

Unrestricted (Deficit)	98,370
<i>Total Net Position</i>	<u><u>\$98,370</u></u>

See accompanying notes to the basic financial statements

Foxfire East Academy
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating Revenues:

Foundation \$284,053

Operating Expenses:

Salaries 4,000

Fringe Benefits 306

Purchased Services 202,807

Materials and Supplies 17,920

Total Operating Expenses 225,033

Operating Income 59,020

Non-Operating Revenues:

State and Federal Grants 39,165

Interest 85

Donations 100

Total Non-Operating Revenues 39,350

Change in Net Position 98,370

Net Position Beginning of Year 0

Net Position End of Year \$98,370

See accompanying notes to the basic financial statements

Foxfire East Academy
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 Foundation	\$284,053
Cash Payments for Employee Services and Benefits	(4,306)
Cash Payments to Suppliers for Goods and Services	(220,170)
	59,577
<i>Net Cash Used for Operating Activities</i>	<i>59,577</i>

Cash Flows from Noncapital Financing Activities:

State and Federal Grants Received	818
Other Non-Operating Revenues	100
	918
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>918</i>

Cash Flows from Investing Activities:

Interest on Investments	85
	85
<i>Net Increase in Cash and Cash Equivalents</i>	<i>60,580</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>0</i>
	<i>\$60,580</i>

Reconciliation of Operating Income to Net Cash Used for Operating Activities:

Operating Income	\$59,020
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Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:

Changes in Assets and Liabilities:

Increase in Accounts Payable	492
Increase in Intergovernmental Payable	65
	557
<i>Net Cash Provided by Operating Activities</i>	<i>\$59,577</i>

See accompanying notes to the basic financial statements

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Foxfire East Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 - Description of the School

The Foxfire East Academy (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 the Academy's tax exempt status. The Academy's mission is to help at-risk students meet Ohio's graduation requirements. The Academy focuses on ensuring that basic survival needs are met so that students can achieve success in school. The Academy serves high school age students and above who have dropped out or are at risk of dropping out of school. A particular emphasis is placed on assisting parents and/or pregnant students obtain a high school diploma.

The Academy was created on March 12, 2015 by entering a contract with the Rolling Hills Local School District (the Sponsor). 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 Sponsor is also the fiscal agent of Academy with the Treasurer of the Sponsor serving as the Treasurer for the Academy.

The Academy operates under the direction of a five-member Board of Directors comprised of five community members recommended by the Executive Director after consulting with the Sponsor's Superintendent. The Academy is a component unit of the Sponsor. The Sponsor is able to impose its will on Academy and due to their relationship with the Sponsor it would be misleading to exclude them. The Sponsor can suspend the Academy's operations for any of the following reasons: 1) The Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Academy's failure to meet generally accepted standards of fiscal management, 3) The Academy's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Board of Directors are 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 students it serves. The Academy uses the facilities provided by the Sponsor. The Academy does not have any employees, all staff is contracted through the Ohio Valley Educational Service Center.

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 fund to present its financial records for the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Foxfire East Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Enterprise fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus

The enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. 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 Academy's contract with its Sponsor. The contract between Academy and its Sponsor does not prescribe an annual budget requirement in addition to preparing a five year forecast, which is updated on an annual basis.

E. Cash and Cash Equivalents

Cash received by Academy is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. Investments with original maturities of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2016, the Academy had no investments. The interest earnings received by Academy were from an interest bearing checking account.

F. Net Position

Net position represents the difference between assets and liabilities. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Foxfire East Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The government-wide Statement of Net Position reports no restricted net position and has no monies restricted by enabling legislation.

G. Operating Revenues and Expenses

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

Other 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.

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.

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 balance of the Academy's deposits was \$60,580. All of the bank balance was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", none of the balance was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 4 – Intergovernmental Receivable

Receivables at June 30, 2016, consisted of intergovernmental grants. The receivables are expected to be collected in full within one year.

A summary of principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
Title I	\$16,825
Title VI-B	18,836
Title II-A	2,686
Total	<u>\$38,347</u>

Foxfire East Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 5 – Risk Management

The Academy is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During fiscal year 2016, the Academy contracted with the Ohio School Plan for the insurance shown as follows:

Property Damage	\$150,000
Accounts Receivable	100,000
Business Interruption	250,000
Extra Expense	1,000,000
Boiler and Machinery	150,000

Note 6 – Purchased Services

For the period July 1, 2014 through June 30, 2015, purchased service expenses were for the following services:

<u>Type</u>	<u>Amount</u>
Professional and Technical Services	\$182,250
Rental Services	20,000
Total	<u>\$202,250</u>

Note 7 - Insurance Purchasing Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 8 – Related Party Transactions

The Board of Directors of the Academy consists of five community members recommended by the Executive Director of the Academy after consulting with Rolling Hills Local School District's (Sponsor) Superintendent. The Academy is presented as a component unit of the Sponsor. During fiscal year 2016, \$82,784 was paid to the Sponsor for rent, utilities, and other support services provided to the Academy. The Academy is located in a portion of facilities previously utilized by the Sponsor. As of June 30, 2016, there were no outstanding expenses owed to the sponsor.

Foxfire East Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 9 – Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2016.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Any ODE adjustments for the fiscal year 2016 review are not available at this time.

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

Foxfire East Academy
Guernsey County
60901 Beech Grove Lane
Cambridge, Ohio 43725

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 financial statements of the business-type activities of the Foxfire East Academy, Guernsey County, Ohio (the Academy), a component unit of the Rolling Hills Local School District, Guernsey County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 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 significant deficiencies.

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. We consider Findings 2016-001 and 2016-002 described in the accompanying Schedule of Findings 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 Findings 2016-003 and 2016-004 described in the accompanying Schedule of Findings to be significant deficiencies.

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.

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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 2016-001 through 2016-004.

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

May 30, 2017

**FOXFIRE EAST ACADEMY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

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 § 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 the following: "The department shall determine each community school student's percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year."

In addition, Ohio Rev. Code § 3314.03(A)(11)(a) states, in part, "The school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year."

Ohio Rev. Code § 3313.605(B) states, in part, "the governing authority of each community school established under Chapter 3314 of Revised Code may include community service education in its educational program. If a governing authority includes community service education in its education program, the governing authority shall do both of the following:

- (1) Establish a community service advisory committee. The committee shall provide recommendations to the governing authority regarding a community service plan for students and shall oversee and assist in the implementation of the plan adopted by the governing authority.
- (2) Develop and implement a community service plan. To assist in establishing its plan, the governing authority shall consult with and may contract with one or more local regional organizations with experience in volunteer program development and management. Upon adoption of the plan, the governing authority shall submit a copy of its plan to the Ohio Department of Education."

**FOXFIRE EAST ACADEMY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-001 (Continued)

Noncompliance and Material Weakness - Ohio Rev. Code § 3314.08(H) (Continued)

Ohio Rev. Code § 3313.605(C) provides a governing board “may only grant high school credit for a community service education course if approximately half of the course is devoted to classroom study of such matters as civic responsibility, the history of volunteerism, and community service training and approximately half of the course is devoted to community service.”

The Academy offered six hundred twenty eight hours (four hours daily x 157 school days) of classroom-based learning opportunity during the 2015-2016 school year. The remaining two hundred ninety two hours (two hours daily) to supplement the total 920 school year hours was attributed to employment credit for students working a job, hours from non-classroom-based computer course work during the weekend, holidays or snow days, and credit for community service volunteering time. However, no documentation was maintained by the Academy to support the employment status of students receiving credit through working at a job and insufficient reporting was documented to support community service volunteering hours to supplement the total hours of required learning opportunities.

The Academy's procedures to track FTE during fiscal year 2016 were 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 (628 hours) and accumulated the required hours for non-classroom based learning opportunities (292 hours) the Academy reported an FTE of 1 for the student in EMIS; similarly, for example if a student was enrolled for a period of 90 days out of a possible 157 days, and accumulated the required hours for non-classroom-based learning opportunities (292 hours) the Academy should have reported an FTE of .57 out of 1 for the student in EMIS. The student was responsible for obtaining the required minimum of 292 non-classroom-based learning opportunities by fiscal year end. The Academy was crediting each student for 6 hours for each school day in EMIS. For the students that did not obtain the required amount of non-classroom-based learning opportunities, we did not see any EMIS reports that would reflect a reduction in FTE time reported for these students.

The Academy did attempt to collect the time students spent on community service volunteering. The Academy's certified employee maintained log sheets which reflected each student, the hours volunteered and the organization where student volunteered. The Academy's certified employee did monitor the community service volunteered time by contacting the different organizations and documenting on the log sheet if the student actually performed the volunteer service. However, the Academy did not retain these records and therefore the credit earned as included in students FTE calculations by the Academy could not be reasonably substantiated or relied upon. Also, we are questioning if the community service component of non-classroom-based learning opportunities was properly created.

The Academy did attempt to collect the credit students received for time spent at job employment to supplement the total hours of learning activities. The Academy spreadsheet maintained by the Academy's certified employee documented the credit for each applicable student based upon hours worked on pay stubs every two weeks. In addition copies of student's pay stubs were completed. However, the Academy did not retain these records and therefore the credit earned as included in students FTE calculations by the Academy could not be reasonably substantiated or relied upon.

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 overfunding. The quantitative impact of a potential liability, if any, could not be readily determined at this time by the Auditor of State's Office.

**FOXFIRE EAST ACADEMY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-001 (Continued)

Noncompliance and Material Weakness - Ohio Rev. Code § 3314.08(H) (Continued)

The Academy should review the statutory requirements to determine what documentation is needed to support the FTE data reported for each student. Furthermore, the Academy should consider using ODE's most recent FTE manual as further guidance to determine what information ODE considers to be needed to support FTE. Once the Academy has an understanding of what is required to support FTE, the Academy should develop policies and procedures to capture the duration of time spent by students on computer, as well as time spent on non-computer learning opportunities. In addition, this issue will be referred to ODE for further evaluation.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 149.351(A) provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided under §§ 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Academy, in its contract with the Sponsor, encouraged two hours of each school day to be focused on non-classroom-based learning opportunities through non-classroom-based learning opportunities through computer-based study, work-study or community service time through volunteering.

The Academy hired a certified employee to be in charge of supervising, tracking, and monitoring the student's hours achieved through the work-study and community service components of non-classroom-based learning opportunities. This individual prepared quarterly logs that documented each student and the number of hours each student spent in one of the non-classroom-based learning opportunity components. For students in the work-study component, the community school would make copies of the students payroll check to support their time doing the work-study component. The students performing volunteer work to obtain community service hours would turn in a log of hours volunteering and the organization where the community service was performed. The certified school employee would periodically call the organization or make visits to ensure the students were doing the volunteer work. Each quarter a log was prepared to show the total hours by quarter for each student.

We were given the quarterly log reports to review. We were unable to verify the quarterly logged hours to any documented support. The copies of student's payroll checks and any documentation of visits or phone calls to volunteer organizations had been misplaced or destroyed.

The Academy needs to develop formal procedures for the work-study and community service components to document student's time achieved in these non-classroom-based learning opportunities. Also, procedures should be developed to safeguard the information obtained to support the hours.

**FOXFIRE EAST ACADEMY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003

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 the school's contract with the Rolling Hills Local School District (the Sponsor) we noted that Exhibit 1 of the contract defines the Educational Plan. The contract between the community school and its sponsor did not address, in detail, the instructional day for the student for classroom based learning opportunities or non-classroom based learning opportunities. For the classroom based learning opportunity, the contract was silent toward when the school day starts, ends and how many hours a day the classroom-based learning opportunity (traditional school) was going to entail. Informally, we were told the classroom based learning would consist of a set four-hour school day.

In addition, the contract did not address how time was going to be captured for students during the non-classroom-based learning opportunity of work-study or community service time. The contract provided that students would be encouraged to be employed or participate in community service at least 15 hours per week. The contract was silent how the Academy was going to capture and substantiate the students time for work-study or community service time.

The Academy should update the contract with its sponsor to include the following:

- Address the school hours for the classroom-based learning (traditional school) portion of the blended learning model.
- Define if there is a maximum number of hours that can be achieved through non classroom-based learning options.
- Describe the procedures the school plans to use to capture non classroom-learning opportunities portion of the blended learning model, most notably the work-study and community service time.
- Describe the documentation required to support the hours captured for work-study and community service time.

FINDING NUMBER 2016-004

Noncompliance and Significant Deficiency

Ohio Rev. Code § 3313.605(B) states, in part, the governing authority of each community school established under Chapter 3314 of Revised Code may include community service education in its educational program. If a governing authority includes community service education in its education program, the governing authority shall do both of the following:

- (1) Establish a community service advisory committee. The committee shall provide recommendations to the governing authority regarding a community service plan for students and shall oversee and assist in the implementation of the plan adopted by the governing authority.
- (2) Develop and implement a community service plan. To assist in establishing its plan, the governing authority shall consult with and may contract with one or more local regional organizations with experience in volunteer program development and management. Upon adoption of the plan, the governing authority shall submit a copy of its plan to the Ohio Department of Education.

**FOXFIRE EAST ACADEMY
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016
(Continued)**

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

FINDING NUMBER 2016-004 (Continued)

Noncompliance and Significant Deficiency - Ohio Rev. Code § 3313.605(B) (Continued)

Ohio Rev. Code § 3313.605(C) provides a governing board may only grant high school credit for a community service education course if approximately half of the course is devoted to classroom study of such matters as civic responsibility, the history of volunteerism, and community service training and approximately half of the course is devoted to community service.

Upon our review of the community service program we noted the following:

- The Academy did not offer any course work devoted to classroom study;
- The Academy did not establish a community service advisory committee; and
- The Academy did not develop and implement a community service plan and submit such plan to ODE.

The Academy's Board of Directors should establish a community service advisory committee, develop and implement a community service plan, submit the community service plan to Ohio Department of Education. Also, the Board should develop a class of study on matters such as civic responsibility, the history of volunteerism, and community service.

Officials' Response:

The official's chose not to respond to these findings.

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Dave Yost • Auditor of State

FOXFIRE EAST ACADEMY

GUERNSEY 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
JUNE 27, 2017**