



Dave Yost • Auditor of State



**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

West Central Learning Academy II  
Allen County  
522 West North Street  
Lima, Ohio 45801

To the Board of Directors:

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

We have audited the accompanying financial statements of the business-type activities of the West Central Learning Academy II, Allen County, Ohio (the Academy), as of and for the fiscal years ended June 30, 2013 and 2012, 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 respective cash financial position of the business-type activities of the West Central Learning Academy II, Allen County, Ohio, as of June 30, 2013 and 2012, and the respective changes in cash financial position for the fiscal years then ended in accordance with the accounting basis described in Note 2.

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**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, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Academy's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of Net Position, and Changes in Net Position for 2013, and tables of Net Assets and Changes in Net Assets for 2012. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, 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

February 10, 2014

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

This discussion and analysis of the West Central Learning Academy II's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013, within the limitations of the Academy's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

**Highlights**

Key highlights for 2013 are as follows:

- Net assets of the Academy decreased \$138,064 or 12.58 percent, from the prior year.
- The Academy's revenues are primarily school foundation including special education payments, and grants. These receipts represent respectively 78.5 and 20.2 percent of the total cash received during the year. School foundation payments are based on the students' average daily membership (ADM), which fluctuates from month to month and grant funds are not guaranteed from year to year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's cash basis of accounting.

**Report Components**

The statement of net position and the statement of revenues, expenses and change in net position provides information about the cash activities of the Academy as a whole.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Academy as a Whole**

The statement of net position and the statement of revenues, expenses and change in net position reflect how the Academy did financially during 2013, within the limitations of cash basis of accounting. The statement of net position presents the cash balances of the business-type activities of the Academy at year end. The statement of revenues, expenses and change in net position presents cash disbursements compared with revenues of the business-type activity.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

These statements report the Academy's cash position and the change in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of this change as one way to measure the Academy's financial health. Over time, increases or decreases in the Academy's cash position is one indicator of whether the Academy's financial health is improving or deteriorating. When evaluating the Academy's financial condition, you should also consider other nonfinancial factors as well such as the changes in revenue sources, the condition of capital assets, the extent of the debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in revenue sources.

In the statement of net position and the statement of revenues, expenses and change in net position, the Academy reports business-type activities. Business-type activities are where the Academy's basic services are reported, including, but not limited to, instruction, support services, and operation of plant.

Table 1 provides a summary of the Academy's net position for 2013 compared to 2012 on a cash basis:

**Table 1  
Net Position**

	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Current Assets	\$959,221	\$1,097,285
<b>Net Position:</b>		
Restricted Other purposes	1,038	2,103
Unrestricted	958,183	1,095,182
Total Net Position	<u>\$959,221</u>	<u>\$1,097,285</u>

Total assets decreased by \$138,064 which represents a 12.58 percent decrease from fiscal year 2012. Net position decreased because of low enrollment and general fund had to replace some grant expenditures.

The Statement of Revenues, Expenses, and Change in Net Position shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding.

**Table 2  
Change in Net Position**

	<b>2013</b>	<b>2012</b>
<b>Operating Revenue:</b>		
Foundation Payments	\$363,738	\$609,382
Contracted Services	516	4,730
Special Education	7,255	15,427
Other Operating Revenues	4,652	6,768
Total Operating Receipts	<u>376,161</u>	<u>636,307</u>
Salaries	314,397	380,887
Fringe Benefits	102,935	113,141
Purchased Services	77,332	84,064
Material & Supplies	49,573	27,265
Capital Outlay	4,336	44,504
Other Operating Expenses	61,740	9,181
Total Operating Expenses	<u>610,313</u>	<u>659,042</u>



**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**Table 2  
Change in Net Position  
(Continued)**

	<u>2013</u>	<u>2012</u>
<b>Non-Operating Revenues:</b>		
Operating Grants - Federal	93,800	104,389
Operating Grants - State	1,800	
Interest	488	1,402
Total Non-Operating Revenues	<u>96,088</u>	<u>105,791</u>
Increase (Decrease) in Net Position	<u>(\$138,064)</u>	<u>\$83,056</u>

State Foundation Payments, Special Education, and Federal and State grants as a whole, are the primary support for the Academy, representing 98.8 percent of the revenue. Salaries and Fringe Benefits comprise 68.4 percent of operating expenses.

The Academy had total revenues of \$472,249 and total expenses of \$610,313. The change in net position for the year was a decrease of \$138,064.

**Capital Assets and Debt Administration**

**Capital Assets**

The Academy does not currently report its capital assets and infrastructure on the cash basis of accounting.

**Debt**

The Academy does not currently have any debt.

**Current Issues**

The challenge for the Academy is to attract more students and provide quality services to the students while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The greatest challenge for the Academy is not only attracting students but keeping and graduating the students. The majority of the population of our students are transient which lowers our ADM and funding. On June 30, 2011 we were forced to purchase a building as our previous building was torn down. The 2013-2014 school year will continue our efforts to maintain our building and repair our parking lot while dealing with low enrollment.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to West Central Learning Academy II's Treasurer or Superintendent, West Central Learning Academy II, 522 W. North Street, Lima, OH 45801.

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WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY

STATEMENT OF NET POSITION  
CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Assets:**

Equity in Pooled Cash and Cash Equivalents	<u>\$959,221</u>
Total	<u>959,221</u>

**Net Position:**

Restricted - Other Purposes	1,038
Unrestricted	<u>958,183</u>
Total Net Position	<u><u>\$959,221</u></u>

*See accompanying notes to the basic financial statements.*

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Operating Revenues:</b>	
Foundation Payments	\$363,738
Contracted Services	516
Special Education	7,255
Other Operating Revenues	4,652
Total Operating Revenues	<u>376,161</u>
<b>Operating Expenses:</b>	
Salaries	314,397
Fringe Benefits	102,935
Purchased Services	77,332
Materials and Supplies	49,573
Capital Outlay	4,336
Other Operating Expenses	61,740
Total Operating Expenses	<u>610,313</u>
Operating (Loss)	(234,152)
<b>Non-Operating Revenues:</b>	
Operating Grants - Federal	93,800
Operating Grants - State	1,800
Interest	488
Total Non-Operating Revenues	<u>96,088</u>
Change in Net Position	(138,064)
Net Position at Beginning of Year	1,097,285
Net Position at End of Year	<u><u>\$959,221</u></u>

*See accompanying notes to the basic financial statements.*

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE ENTITY**

The West Central Learning Academy Community School (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in the 7 – 12 population primarily through online electronic learning technologies. The mission of the Academy is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction and to prepare students to become lifelong learners and productive citizens.

The comprehensive educational program addresses the special problems of some disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The Academy was approved for operation under contract with the Elida Local Academy (the Sponsor) for a period of five years commencing July 1, 2002. The Academy accepted students beginning September 3, 2002. For fiscal year 2005, the Academy changed its name to the West Central Learning Academy. For fiscal year 2006, the Lima City Academy established and became the sponsor of the West Central Learning Academy II (WCLA II) as a start-up school. On August 3, 2005, the West Central Learning Academy (WCLA), a conversion school sponsored by Elida Local Academy, officially merged with WCLA II.

The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Board of Directors. Board members are appointed and are 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles and generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy's accounting policies.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position and a statement of revenues, expenses and change in net position. The statement of net position presents the cash balance of the business-type activities of the Academy at fiscal year-end.

The statement of revenues, expenses and changes in net position compares disbursements with receipts for each function of the Academy's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

**Enterprise Accounting** - The Academy uses enterprise accounting to track and report on its financial activities. 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) 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.

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**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 Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement which is satisfied by presenting a five-year forecast.

**D. Cash**

All monies received by the Academy are accounted for by the Academy's Treasurer. All cash received by the Treasurer is maintained in a separate bank account in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

**E. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and revenues from this program are recognized as operating revenues in the accompanying financial statements. The Academy participates in the Rate to the Top, Federal IDEA B, Title 1 Special Education, Innovative Programs and Improving Teacher Quality grant programs through the Ohio Department of Education. Revenues received from these programs are recognized as non-operating revenue on the accompanying financial statements. Under these programs, the School was awarded and received \$93,800.

**F. Inventory and Prepaid Items**

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Academy's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Academy recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on the balance either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations or other governments.

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

At June 30, 2013, the Academy had \$1,038 of restricted net position, none of which was restricted by enabling legislation.

**3. ACCOUNTABILITY AND COMPLIANCE**

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 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. This financial report omits assets, liabilities, fund equities 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.

**4. DEPOSITS AND INVESTMENTS**

At June 30, 2013, the carrying amount of the Academy's deposits was \$959,221 and the bank balance was \$996,441. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*" as of June 30, 2013, \$728,755 of the Academy's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits in excess of FDIC coverage are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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 had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

**Investments** - The Academy had no investments.

**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 fiscal year 2012, the Academy was insured through Schools Of Ohio Risk Sharing Authority as follows:

**Commercial General Liability:**

Property Coverage	\$ 507,990
General Liability Limit	\$12,000,000
General Liability Aggregate	\$14,000,000
Personal Injury Limit	\$12,000,000
Fire Damage	\$ 500,000
Medical Expense	\$ 5,000
Crime Coverage	\$ 100,000

**6. PURCHASED SERVICES**

For the period ended June 30, 2013, purchased service expenses were payments for services rendered by various vendors, as follows:

Administrative Services	\$28,410
Instructional Support	42,770
Support Services Contracts	<u>6,152</u>
Total Purchased Services	<u>\$77,332</u>



**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

**Plan Description** - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$7,922, \$8,770 and \$8,082 respectively; 100 percent has been contributed for all years.

**B. State Teachers Retirement System**

**Plan Description** - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$33,242, \$40,599, and \$48,561 respectively; 100 percent has been contributed for 2013, 2012 and 2011.

**8. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

**Plan Description** – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or at, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, the actuarially determined amount was \$20,525. The Academy's contributions for both health care and the surcharge for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,141, \$1,414, and \$1,034 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

The Academy's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$97, \$380, and \$979 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, the actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$447, \$518, and \$520 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**B. State Teachers Retirement System**

**Plan Description** – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. Using the same percentage, the Academy's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,557, \$3,123, and \$3,735 respectively; 100 percent has been contributed for fiscal year 2013, 2012 and 2011.

**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 Academy.

**B. Litigation**

The Academy was not involved in litigation at the local level during the 2012-2013 school year.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the school. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2013, the Academy implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This was incorporated in the Academy's fiscal year 2013 financial statements; however, there was no effect on beginning net position.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

This discussion and analysis of the West Central Learning Academy II's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012, within the limitations of the Academy's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

**Highlights**

Key highlights for 2013 are as follows:

- Net assets of the Academy increased \$83,056 or 8.19 percent, from the prior year.
- The Academy's revenues are primarily school foundation including special education payments and grants. These receipts represent respectively 84.2 and 14.1 percent of the total cash received during the year. School foundation payments are based on the students' average daily membership (ADM), which fluctuates from month to month and grant funds are not guaranteed from year to year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of revenues, expenses and change in net assets provides information about the cash activities of the Academy as a whole.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Reporting the Academy as a Whole**

The statement of net assets and the statement of revenues, expenses and change in net assets reflect how the Academy did financially during 2012, within the limitations of cash basis of accounting. The statement of net assets presents the cash balances of the business-type activities of the Academy at year end. The statement of revenues, expenses and change in net assets presents cash disbursements compared with revenues of the business-type activity. These statements report the Academy's cash position and the change in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Academy's financial health.

Over time, increases or decreases in the Academy's cash position is one indicator of whether the Academy's financial health is improving or deteriorating. When evaluating the Academy's financial condition, you should also consider other nonfinancial factors as well such as the changes in revenue sources, the condition of capital assets, the extent of the debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in revenue sources.

In the statement of net assets and the statement of revenues, expenses and change in net assets, the Academy reports business-type activities. Business-type activities are where the Academy's basic services are reported, including, but not limited to, instruction, support services, and operation of plant.

Table 1 provides a summary of the Academy's net position for 2012 compared to 2011 on a cash basis:

<b>Table 1</b>		
<b>Net Position</b>		
	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
Current Assets	\$1,097,285	\$1,1014,229
<b>Net Position:</b>		
Restricted Other purposes	2,103	7,289
Unrestricted	1,095,182	1,006,940
Total Net Position	\$1,097,285	\$1,014,229

Total assets increased by \$83,056 which represents a 8.19 percent increase from fiscal year 2011. Net assets increased because of the strategy implemented to restructure staff and duties, not replacing retiring employees and employees continue to pay 20% of insurance benefits.

The Statement of Revenues, Expenses, and Change in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year. That is, it identifies the amount of operating expenses supported by State and other funding.

<b>Table 2</b>		
<b>Change in Net Assets</b>		
	<b>2012</b>	<b>2011</b>
<b>Operating Revenue:</b>		
Foundation Payments	\$609,382	\$674,583
Contracted Services	4,730	11,911
Special Education	15,427	31,632
Other Operating Revenues	6,768	5,792
Total Program Receipts	636,307	723,918

(Continued)

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Table 2  
Change in Net Assets  
(Continued)**

	2012	2011
<b>Operating Expenses:</b>		
Salaries	380,887	441,984
Fringe Benefits	113,141	110,006
Purchased Services	84,064	69,871
Material & Supplies	27,265	33,242
Capital Outlay	44,504	81,593
Other Operating Expenses	9,181	8,550
Total Operating Expenses	<u>659,042</u>	<u>745,246</u>
<b>Non-Operating Revenues:</b>		
Operating Grants - Federal	104,389	127,664
Operating Grants - State		7,275
Interest	1,402	2,306
Total Non-Operating Revenues	<u>105,791</u>	<u>137,245</u>
Increase (Decrease) in Net Assets	<u>\$83,056</u>	<u>\$115,917</u>

State Foundation Payments, and Special Education, and Federal Grants as a whole, are the primary support for the Academy, representing 98.3 percent of the Salaries and Fringe Benefits comprise 75 percent of operating expenses.

The Academy had total revenues of \$742,098 and total expenses of \$659,042. The change in net assets for the year was an increase of \$83,056.

**Capital Assets and Debt Administration**

**Capital Assets**

The Academy does not currently report its capital assets and infrastructure on the cash basis of accounting.

**Debt**

The Academy does not currently have any debt.

**Current Issues**

The challenge for the Academy is to attract more students and provide quality services to the students while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The greatest challenge for the Academy is not only attracting students but keeping and graduating the students. The majority of the population of our students are transient which lowers our ADM and funding. On June 30, 2011 we were forced to purchase a building as our previous building was torn down. The 2012-2013 school year will continue our efforts to maintain our building and repair our parking lot while dealing with low enrollment.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(Continued)**

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to West Central Learning Academy II's Treasurer or Superintendent, West Central Learning Academy II, 522 W. North Street, Lima, OH 45801.



**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**STATEMENT OF NET ASSETS  
CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,097,285</u>
Total	<u>1,097,285</u>

<b>Net Assets:</b>	
Restricted - Other Purposes	2,103
Unrestricted	<u>1,095,182</u>
Total Net Assets	<u><u>\$1,097,285</u></u>

*See accompanying notes to the basic financial statements.*

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Operating Revenues:</b>	
Foundation Payments	\$609,382
Contracted Services	4,730
Special Education	15,427
Other Operating Revenues	6,768
Total Operating Revenues	<u>636,307</u>
<b>Operating Expenses:</b>	
Salaries	380,887
Fringe Benefits	113,141
Purchased Services	84,064
Materials and Supplies	27,265
Capital Outlay	44,504
Other Operating Expenses	9,181
Total Operating Expenses	<u>659,042</u>
Operating (Loss)	(22,735)
<b>Non-Operating Revenues:</b>	
Operating Grants - Federal	104,389
Interest	1,402
Total Non-Operating Revenues	<u>105,791</u>
Change in Net Assets	83,056
Net Assets at Beginning of Year	1,014,229
Net Assets at End of Year	<u><u>\$1,097,285</u></u>

*See accompanying notes to the basic financial statements.*

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**1. DESCRIPTION OF THE ENTITY**

The West Central Learning Academy Community School (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in the 7 – 12 population primarily through online electronic learning technologies. The mission of the Academy is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction and to prepare students to become lifelong learners and productive citizens.

The comprehensive educational program addresses the special problems of some disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The Academy was approved for operation under contract with the Elida Local Academy (the Sponsor) for a period of five years commencing July 1, 2002. The Academy accepted students beginning September 3, 2002. For fiscal year 2005, the Academy changed its name to the West Central Learning Academy. For fiscal year 2006, the Lima City Academy established and became the sponsor of the West Central Learning Academy II (WCLA II) as a start-up school. On August 3, 2005, the West Central Learning Academy (WCLA), a conversion school sponsored by Elida Local Academy, officially merged with WCLA II.

The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Board of Directors. Board members are appointed and are 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles and generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Academy does not apply FASB statements issued after November 30, 1989, to its business-type activities. Following are the more significant of the Academy's accounting policies.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net assets and a statement of revenues, expenses and change in net assets. The statement of net assets presents the cash balance of the business-type activities of the Academy at fiscal year-end.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of revenues, expenses and changes in net assets compares disbursements with receipts for each function of the Academy's business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

**B. Basis of Accounting**

**Enterprise Accounting** - The Academy uses enterprise accounting to track and report on its financial activities. 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) 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.

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**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 Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement which is satisfied by presenting a five-year forecast.

**D. Cash**

All monies received by the Academy are accounted for by the Academy's Treasurer. All cash received by the Treasurer is maintained in a separate bank account in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

**E. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program and revenues from this program are recognized as operating revenues in the accompanying financial statements. The Academy participates in the Rate to the Top, Federal IDEA B, ARRA Title I and Title 1 Special Education, Innovative Programs and Improving Teacher Quality grant programs through the Ohio Department of Education.

Revenues received from these programs are recognized as non-operating revenue on the accompanying financial statements. Under these programs, the School was awarded and received \$104,389.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Inventory and Prepaid Items**

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Academy's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Academy recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations or other governments.

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

At June 30, 2012, the Academy had \$2,103 of restricted net assets, none of which was restricted by enabling legislation.

**3. ACCOUNTABILITY AND COMPLIANCE**

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 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. This financial report omits assets, liabilities, fund equities 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.

**4. DEPOSITS AND INVESTMENTS**

At June 30, 2012, the carrying amount of the Academy's deposits was \$1,097,285 and the bank balance was \$1,128,785. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*" as of June 30, 2012, \$864,798 of the Academy's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits in excess of FDIC coverage are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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 had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

**Investments** - The Academy had no investments.

**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 fiscal year 2012, the Academy was insured through Schools Of Ohio Risk Sharing Authority as follows:

<b>Commercial General Liability:</b>	
Property Coverage	\$ 495,600
General Liability Limit	\$12,000,000
General Liability Aggregate	\$14,000,000
Personal Injury Limit	\$12,000,000
Fire Damage	\$ 500,000
Medical Expense	\$ 5,000
Crime Coverage	\$ 100,000

**6. PURCHASED SERVICES**

For the period ended June 30, 2012, purchased service expenses were payments for services rendered by various vendors, as follows:

Administrative Services	\$ 40,579
Instructional Support	13,743
Support Services Contracts	<u>29,742</u>
Total Purchased Services	<u>\$ 84,064</u>

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

**Plan Description** - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERs' website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.7 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$8,770, \$8,082 and \$7,592 respectively; 92 percent has been contributed for 2012 and 100 percent for 2011 and 2010.

**B. State Teachers Retirement System**

**Plan Description** - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$40,599, \$48,561, and \$42,645 respectively; 100 percent has been contributed for 2012, 2011 and 2010.

**8. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

**Plan Description** – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or at, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, the actuarially determined amount was \$35,800.

The Academy's contributions for both health care and the surcharge for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,414, \$1,034, and \$273 (no surcharge paid by the Academy) respectively; 92 percent has been contributed for fiscal year 2013 and 100 percent for 2012 and 2011.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.



**WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$380, \$979, and \$273 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, the actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$518, \$520, and \$451 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**B. State Teachers Retirement System**

**Plan Description** – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. Using the same percentage, the Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$3,123, \$3,735, and \$3,280 respectively; 100 percent has been contributed for fiscal year 2012, 2011 and 2010.

**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 Academy.

**B. Litigation**

The Academy was not involved in litigation at the local level during the 2011-2012 school year.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the school. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

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# Dave Yost • Auditor of State

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

West Central Learning Academy II  
Allen County  
522 West North Street  
Lima, Ohio 45801

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 West Central Learning Academy II, Allen County, (the Academy) as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated February 10, 2014, wherein we noted the Academy uses a special purpose framework other than generally accepted accounting principles.

### ***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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

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***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

February 10, 2014

WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2013

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

FINDING NUMBER 2013-001

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides 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 prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03(B)** requires all schools to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The Academy prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 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 prepare its financial statements according to generally accepted accounting principles to help provide the users with more meaningful and complete financial statements.

**OFFICIALS RESPONSE:**

Due to financial restraints the West Central Learning Academy chooses not to convert to the generally accepted accounting principles (GAAP). Conversion to GAAP is an expensive process and increases audit costs. The West Central Learning Academy does utilize the Auditor of State's Uniform School Accounting System and respects the GAAP reporting requirements for larger entities. However, GAAP reporting is a method of reporting liabilities and debts that the West Central Learning Academy does not incur.

WEST CENTRAL LEARNING ACADEMY II  
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Ohio Rev. Code Sec. 117.28 & Ohio Admin. Code Sec. 117-02-03 (B) – failed to file financial statements in accordance with generally accepted accounting principles (GAAP)	No	Repeated Findings 2013-001



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

West Central Learning Academy II  
Allen County  
522 West North Street  
Lima, Ohio 45801

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

1. In our report dated December 8, 2011, we noted the Board adopted an anti-harassment policy on May 29, 2012. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on May 29, 2012. We read the amended policy, noting it still does not include the following requirements listed in Ohio Rev. Code 3313.666.
  - (1) We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.
  - (2) A statement prohibiting harassment, intimidation, or bullying of any student on a school bus.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

February 10, 2014





# Dave Yost • Auditor of State

**WEST CENTRAL LEARNING ACADEMY 2**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2014**