



Dave Yost • Auditor of State

WESTSIDE ACADEMY
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Westside Academy
Franklin County
4330 Clime Road North
Columbus, Ohio 43228

To the Board of Directors:

We have audited the accompanying basic financial statements of Westside Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westside Academy, Franklin County, Ohio, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 16, 2012

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The discussion and analysis of the Westside Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets were \$129,462 at June 30, 2011.
- The Academy had operating revenues of \$864,677, operating expenses of \$1,407,885 and non-operating revenues of \$607,172 for fiscal year 2011.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-23 of this report.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The table below provides a summary of the Academy's assets, liabilities and net assets for fiscal years 2011 and 2010.

Assets, Liabilities and Net Assets

| | 2011 | 2010 |
|--|------------|-----------|
| <u>Assets</u> | | |
| Current assets | \$ 180,059 | \$ 98,593 |
| Non-current assets, net | 75,964 | 114,096 |
| Total assets | 256,023 | 212,689 |
| <u>Liabilities</u> | | |
| Current liabilities | 126,561 | 147,191 |
| Total liabilities | 126,561 | 147,191 |
| <u>Net Assets</u> | | |
| Invested in capital assets | 75,964 | 114,096 |
| Restricted for federally funded programs | 50,331 | 3,828 |
| Restricted for other purposes | 15,643 | - |
| Unrestricted (deficit) | (12,476) | (52,426) |
| Total net assets | \$ 129,462 | \$ 65,498 |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets were \$129,462.

At June 30, 2011, capital assets represented 29.67% of total assets. Capital assets consisted of leasehold improvements and furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending.

A portion of the Academy's net assets, \$65,974, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$12,476.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The table below shows the changes in net assets for fiscal years 2011 and 2010.

Change in Net Assets

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|-------------------|------------------|
| <u>Operating Revenues:</u> | | |
| State foundation | \$ 858,899 | \$ 811,721 |
| Other | <u>5,778</u> | <u>2,777</u> |
| Total operating revenue | <u>864,677</u> | <u>814,498</u> |
| <u>Operating Expenses:</u> | | |
| Salaries and wages | 646,410 | 626,100 |
| Fringe benefits | 190,343 | 159,070 |
| Purchased services | 442,349 | 435,752 |
| Materials and supplies | 43,786 | 57,720 |
| Depreciation | 50,429 | 47,276 |
| Other | <u>34,568</u> | <u>38,541</u> |
| Total operating expenses | <u>1,407,885</u> | <u>1,364,459</u> |
| <u>Non-operating Revenues:</u> | | |
| Federal and State grants | 607,170 | 469,200 |
| Interest income | <u>2</u> | <u>1</u> |
| Total non-operating revenues | <u>607,172</u> | <u>469,201</u> |
| Change in net assets | 63,964 | (80,760) |
| Net assets at beginning of year | <u>65,498</u> | <u>146,258</u> |
| Net assets at end of year | <u>\$ 129,462</u> | <u>\$ 65,498</u> |

Operating revenues increased \$50,179, or 6.16%, primarily due to an increase in State foundation revenue. The increase in foundation funding occurred due to the Academy increasing enrollment by 13 students in fiscal year 2011 versus fiscal year 2010. This increase in operating revenue was accompanied by an increase in federal and state grant funding of \$137,970, or 29.41%. The Academy received additional funding from these sources in fiscal year 2011 and will continue to look for additional funding in the future.

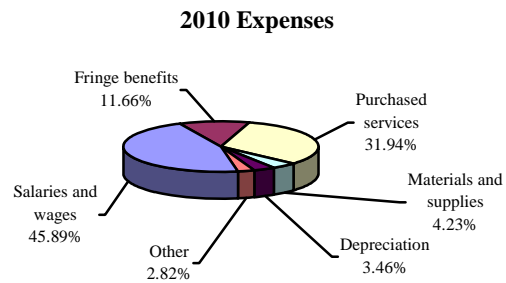
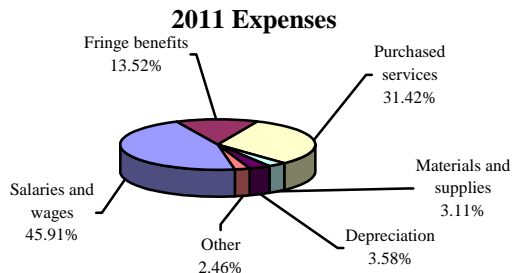
Operating expenses increased \$43,426, or 3.18%, in fiscal year 2011 versus 2010. The primary increase was in the area of salaries, wages and fringe benefits which collectively increased \$51,583, or 6.57%. The Academy had 11 full time non-certified staff members and 12 certified full time teaching personnel in 2011 compared to 10 full time non-certified staff members and 11 certified full time teaching personnel in 2010. This increase in personnel accounted for the increase in salaries, wages and fringe benefits expenses.

Under purchased services, the primary areas of increase from fiscal year 2010 to 2011 were in the areas of utility service and contracted services. Utility services increased \$7,617, or 42.45%, and contracted services increased \$8,026, or 9.88%.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The charts below illustrate the revenues and expenses for the Academy during fiscal years 2011 and 2010.



Capital Assets

At the end of fiscal year 2011, the Academy had \$75,964 in capital assets, net of depreciation, consisting of leasehold improvements and furniture and equipment. The following table shows fiscal year 2011 balances compared to fiscal year 2010:

**Capital Assets at June 30
(Net of Depreciation)**

| | <u>2011</u> | <u>2010</u> |
|--------------------------------|------------------|-------------------|
| Furniture and equipment | \$ 158,293 | \$ 145,996 |
| Leasehold improvements | 100,000 | 100,000 |
| Less: accumulated depreciation | <u>(182,329)</u> | <u>(131,900)</u> |
| Total | <u>\$ 75,964</u> | <u>\$ 114,096</u> |

The overall decrease in capital assets of \$38,132 is due to the addition of furniture and equipment of \$12,297 and the depreciation expense of \$50,429.

See Note 5 to the basic financial statements for more detail on capital assets.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Debt Administration

The Academy had no debt obligations outstanding at June 30, 2011.

Current Financial Related Activities

The Academy is sponsored by the Buckeye Hope Community Foundation. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients 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 questions about this report or need additional financial information contact Barbara Henry, Treasurer, Westside Academy, 4330 Clime Road North, Columbus, Ohio 43229.

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**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

Assets:

Current assets

| | | |
|--|----|---------|
| Equity in pooled cash | | |
| Cash | \$ | 107,319 |
| Receivable - Intergovernmental | | 71,957 |
| Prepayments | | 783 |
| Total current assets | | 180,059 |

Non-current assets

| | | |
|------------------------------|----|---------|
| Capital assets, net. | | 75,964 |
| Total assets. | \$ | 256,023 |

Liabilities and Fund Equity:

Liabilities:

| | | |
|--------------------------------------|----|---------|
| Accounts payable. | \$ | 8,502 |
| Accrued wages and benefits | | 80,633 |
| Pension obligation payable. | | 24,791 |
| Intergovernmental payable | | 12,635 |
| Total liabilities | | 126,561 |

Net assets:

| | | |
|---|----|----------|
| Invested in capital assets. | | 75,964 |
| Restricted for: | | |
| Restricted for federally funded programs. | | 50,331 |
| Restricted for other purposes. | | 15,643 |
| Unrestricted (deficit) | | (12,476) |
| Total net assets | \$ | 129,462 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | |
|--|--------------------------|
| Operating revenues: | |
| State Foundation | \$ 858,899 |
| Other | <u>5,778</u> |
| Total operating revenues | <u><u>864,677</u></u> |
| Operating expenses: | |
| Salaries and wages. | 646,410 |
| Fringe benefits. | 190,343 |
| Purchased services. | 442,349 |
| Materials and supplies | 43,786 |
| Depreciation | 50,429 |
| Other. | <u>34,568</u> |
| Total operating expenses. | <u><u>1,407,885</u></u> |
| Operating loss | (543,208) |
| Non-operating revenues: | |
| Federal and State Grants. | 607,170 |
| Interest income | <u>2</u> |
| Total non-operating revenues | <u><u>607,172</u></u> |
| Change in net assets. | 63,964 |
| Net assets at beginning of year | <u>65,498</u> |
| Net assets at end of year. | <u><u>\$ 129,462</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities:

| | | |
|--|----|-----------|
| Cash received from State foundation | \$ | 861,459 |
| Cash received from other operations | | 5,778 |
| Cash payments for personal services. | | (827,709) |
| Cash payments for contractual services | | (448,676) |
| Cash payments for materials and supplies | | (70,827) |
| Cash payments for other expenses | | (32,746) |
| Net cash used for operating activities | | (512,721) |

Cash flows from noncapital financing activities:

| | | |
|------------------------------------|--|---------|
| Federal and State grants | | 568,098 |
|------------------------------------|--|---------|

Cash flows from capital and related financing activities:

| | | |
|---|--|----------|
| Acquisition of capital assets | | (12,297) |
|---|--|----------|

Cash flows from investing activities:

| | | |
|-----------------------------|--|---|
| Interest received | | 2 |
|-----------------------------|--|---|

| | | |
|--|--|--------|
| Net increase in cash and cash equivalents. | | 43,082 |
|--|--|--------|

| | | |
|---|--|---------------|
| Cash and cash equivalents at beginning of year . . | | 64,237 |
|---|--|---------------|

| | | |
|--|-----------|----------------|
| Cash and cash equivalents at end of year. | \$ | 107,319 |
|--|-----------|----------------|

Reconciliation of operating loss to net cash used for operating activities:

| | | |
|--------------------------|----|-----------|
| Operating loss | \$ | (543,208) |
|--------------------------|----|-----------|

Adjustments:

| | | |
|-----------------------|--|--------|
| Depreciation. | | 50,429 |
|-----------------------|--|--------|

Changes in assets and liabilities:

| | | |
|--|--|----------|
| Decrease in prepayments | | 688 |
| (Decrease) in accounts payable | | (31,538) |
| Increase in accrued wages and benefits | | 1,504 |
| Increase in intergovernmental payable | | 6,743 |
| Increase in pension obligation payable. | | 2,661 |

| | | |
|---|----|-----------|
| Net cash used for operating activities. | \$ | (512,721) |
|---|----|-----------|

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Westside Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy is to provide a high quality education, global consciousness and a competency-based education program from kindergarten to eighth grade. The Academy strives to meet the needs of a growing diverse population in Central Ohio, including the population that is considered Limited English Proficiency (LEP) and may come with an interrupted educational background. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved under contract with the Buckeye Community Hope Foundation (the "Sponsor") for a period of three years commencing December 20, 2005. This contract was extended another five years commencing July 1, 2009 (see Note 13). The Academy began operations on September 30, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy is located in Columbus, Ohio, Franklin County. The Academy ranks as the 796th largest in terms of enrollment (among 918 public school districts and community schools) in the State of Ohio. The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Academy is staffed by 11 full time non-certified staff members, 12 certified full time teaching personnel and 1 administrator who provide services to 140 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

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

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its sponsor. However, pursuant to the sponsorship agreement, on or before June 30 each year, a revised school budget shall be submitted to the Sponsor. The budget must detail estimated revenues and expenses. Revenues include the base formula amount that will be used for the purposes of funding calculations under section 3314.08 of the ORC. All projected and actual revenue sources must be included in the budget and projected expenses must include the total estimated per pupil expenditure amount for each year.

E. Cash

Cash received by the Academy is reflected as "Cash" on the statement of net assets. The Academy did not have any investments during 2011.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Leasehold improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The Academy does not capitalize interest.

All capital assets are depreciated. Leasehold improvements are depreciated over the remaining useful lives of the related capital assets, currently five years. Land improvements are depreciated over ten years. Furniture and equipment is depreciated over five years. Depreciation is computed using the straight-line method.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Prepaid Items

A prepaid item is an asset that occurs when a vendor is paid for services that will benefit a future accounting period. When items meet these criteria, they are reported as assets on the statement of net assets using the consumption method. Under the consumption method, a current asset for the prepaid amount is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had \$783 in prepaid assets as of June 30, 2011.

H. Intergovernmental Revenue

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenue from this program was recognized as operating revenue in the accounting period in which all eligibility requirements had been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the 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.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets 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.

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

J. Operating Revenues and Expenses

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

K. Estimates

The preparation of financial statements in conformity with GAAP 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.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

For fiscal year 2011, the Academy has implemented GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of 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, 2011, the carrying amount of the Academy's deposits was \$107,319 and the bank balance was \$147,184. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2011</u> |
|--------------------------------|---------------------------------------|--------------------|------------------|--|
| Furniture and equipment | \$ 145,996 | \$ 12,297 | \$ - | \$ 158,293 |
| Leasehold improvements | 100,000 | - | - | 100,000 |
| Less: accumulated depreciation | <u>(131,900)</u> | <u>(50,429)</u> | <u>-</u> | <u>(182,329)</u> |
| Capital assets, net | <u>\$ 114,096</u> | <u>\$ (38,132)</u> | <u>\$ -</u> | <u>\$ 75,964</u> |

NOTE 6 - BUILDING LEASE

The Academy operations are located in space leased from the Unified Investment Corporation. Lease payments for fiscal year 2011 were \$169,054. The lease expired on June 30, 2011; however, was extended until June 30, 2012. See Note 15 for the related party transaction.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of intergovernmental (e.g. State and federal grants) receivables. All intergovernmental receivables are considered collectible in full. Below is a summary of receivables due to the Academy:

| | |
|-----------------------------|-----------------|
| National school lunch | \$11,783 |
| Education jobs | 22,561 |
| Limited english proficiency | 2,978 |
| Title I | <u>34,635</u> |
| Total | <u>\$71,957</u> |

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

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 2011, 11.77 percent and 0.04 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. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$19,052, \$19,728 and \$10,062, respectively; 76.72 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 website at www.strsoh.org, under "Publications".

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 8 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio - (Continued)

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.

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 fiscal year 2011, 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, 2011, 2010 and 2009 were \$62,505, \$59,656 and \$47,536, respectively; 90.29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$7,126 made by the Academy and \$5,090 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,593, \$2,632 and \$6,527, respectively; 76.72 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

A. School Employees Retirement System - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,226, \$1,173 and \$830, respectively; 76.72 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,808, \$4,589 and \$3,657, respectively; 90.29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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. During fiscal year 2011, the Academy contracted with Wells Fargo Insurances Services for property and general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate. Settled claims have not exceeded commercial coverage in the past three fiscal years. There was no significant reduction in coverage from the prior fiscal year.

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the State. The Academy owed \$1,210 for this premium on January through June 2011 wages and accrued wages. The liability is reflected in the financial statements at June 30, 2011.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 11 - EMPLOYEE BENEFITS

The Academy provides health, drug, and dental insurance for all eligible employees through Anthem Blue Cross Blue Shield. The risk of loss to the Academy transfers to the insurance carrier upon payment of the premiums. The Academy pays a portion of the monthly premium based on the coverage chosen. An employee who works a minimum of 30 hours per week will receive 85%-80%-75%, for coverage of employee-only, employee-spouse/children or family coverage, respectively. An employee who works between 20 to 29 hours per week will be offered 75% prorated benefits. The Academy provides life insurance and accidental death and dismemberment insurance to employees through Anthem Blue Cross and Blue Shield.

NOTE 12 - PURCHASED SERVICES

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

| | |
|-------------------------------------|-------------------|
| Professional and Technical Services | \$ 48,137 |
| Property Services | 207,155 |
| Travel/Mileage/Meeting Expense | 3,709 |
| Communications | 7,249 |
| Utility Services | 25,561 |
| Contracted Services | 89,244 |
| Other Purchased Services | <u>61,294</u> |
| Total | <u>\$ 442,349</u> |

NOTE 13 - CONTRACTS

Sponsor Contract

For fiscal year 2011, the Academy was under a sponsor contract with Buckeye Community Hope Foundation (the "Sponsor"). This contract was renewed for an additional five years commencing on July 1, 2009 and continuing through June 30, 2014. Under the contract, the Sponsor agreed to provide oversight and guidance to the Academy including, but not limited to, the following:

- Monitoring the Academy's compliance with applicable laws and terms of the Sponsorship contract.
- Monitoring and evaluating the academic and fiscal performance and the organization and operation of the Academy.
- Reporting annually the results of its evaluation to the Ohio Department of Education and to parents of students enrolled in the Academy.
- Providing technical assistance to the Academy in complying with applicable laws and the Sponsorship contract.
- Intervening as the Sponsor deems necessary in the Academy's operation to correct problems with overall performance. The Sponsor may, at its sole discretion, require a plan of action from the Academy to cure any issues or violations.
- Preparing and assisting with contingency plans in the event the Academy experiences difficulties or closes before the end of the school year.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 14 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2011.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Ohio Department of Education's review of fiscal year 2011 is complete. The audit showed a difference of \$4,806 which will be paid through June 30, 2012 with a monthly reduction in foundation funding in fiscal year 2012. This amount has been recorded as a component of "intergovernmental payable" at June 30, 2011.

NOTE 15 - RELATED PARTY TRANSACTION

On March 1, 2006, the Academy entered into a lease agreement with Unified Investment Corp., a related party of the Academy, for the purposes of leasing the premises used to provide services by the Academy. The original lease agreement was amended on April 30, 2008 with a revised rental payment schedule and renewal option stating as a five percent increase for every year after the initial lease term. The following is a summary of the agreed-upon monthly rental amounts to be paid by the Academy as part of the agreement:

| <u>Period</u> | <u>Monthly Rent</u> |
|------------------------------------|---------------------|
| July 1, 2010 through June 30, 2011 | \$ 14,088 |
| July 1, 2011 through June 30, 2012 | \$ 14,792 |

During fiscal year 2011, the Academy paid a total of \$215,647 to Unified Investment Corp. Of this total, \$169,054 represented rental payments while the additional \$46,593 represented payments for utilities, ground maintenance, property taxes, security, and certain building repairs.

Dr. Mouhamed Tarazi is a prior President of, and currently holds an investment interest in, Unified Investment Corp. Dr. Tarazi is the Director of International Academy of Columbus, which is governed by the same Board as governs Westside Academy. Additionally, although not an actual employee or official of Westside Academy, Dr. Tarazi was an integral part of the Westside Academy's start up in fiscal year 2006, at the time of the initial agreement.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 16 - MANAGEMENT PLAN

Westside Academy began operation as a community school in August 2006 as a start up school and anticipated funding from a Federal Government Grant of \$450,000 and a State start up grant of \$50,000. The federal grant was received over two years of operation. The State grant was not released by the Ohio Department of Education due to monies being received from the federal government grant before the State grant was released. The Academy maintained operations which resulted in a deficit. Therefore, the following changes were made beginning in fiscal year 2008 and continuing in fiscal year 2011:

1. Increase student enrollment to 200 students and maintain that level
In fiscal year 2011, the Academy fell short of its goal to reach 200 students; however, the Academy did increase enrollment to 140 students in fiscal year 2011 compared to 127 students in fiscal year 2010. The Academy continues to strive to reach the goal of 200 students to sustain operations.
2. Eliminate or reduce staff positions to reduce cost
The Academy continues to look for possible reductions in positions while maintaining student needs.
3. Reduce operational cost, including having the Academy's rent lowered
The Academy continues to look at ways to reduce operational costs.
4. Obtain additional funding
The Academy was awarded the 21st Century grant in July 2008 through June 2013. Additionally, the State of Ohio has provided additional funding that allows the Academy to maintain operations as much as possible. The Academy continues to seek other sources of funding.

The Academy believes these efforts will allow the Academy to sustain operations in the future years.

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WESTSIDE ACADEMY
FRANKLIN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Disbursements |
|--|---------------------------|--------------------------|--------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | \$ 21,494 | \$ 21,494 |
| National School Lunch Program | 10.555 | 59,975 | 59,975 |
| Total Child Nutrition Cluster | | <u>81,469</u> | <u>81,469</u> |
| Total U.S. Department of Agriculture | | <u>81,469</u> | <u>81,469</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | |
| Title I Cluster | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 74,574 | 75,546 |
| ARRA-Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 35,047 | 12,964 |
| Total Title I Cluster | | <u>109,621</u> | <u>88,510</u> |
| Special Education Cluster | | | |
| Special Education_Grants to States | 84.027 | 26,291 | 20,168 |
| ARRA-Special Education Grants to States, Recovery Act | 84.391 | 17,992 | 17,974 |
| Total Special Education Cluster | | <u>44,283</u> | <u>38,142</u> |
| Safe and Drug-Free Schools and Communities_State Grants | 84.186 | - | 621 |
| Twenty-First Century Community Learning Centers | 84.287 | 200,000 | 217,467 |
| Education Technology State Grants | 84.318 | 901 | 257 |
| English Language Acquisition Grants | 84.365 | 23,543 | 21,690 |
| Improving Teacher Quality State Grants | 84.367 | 3,591 | 3,329 |
| ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 72,973 | 75,423 |
| Education Jobs Fund | 84.410 | 24,558 | 21,601 |
| Total U.S. Department of Education | | <u>479,470</u> | <u>467,040</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| <i>Passed Through the Franklin County Department of Job & Family Services</i> | | | |
| Social Services Block Grant | 93.667 | - | 5,802 |
| TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES | | <u>\$ 560,939</u> | <u>\$ 554,311</u> |

The accompanying notes are an integral part of this schedule.

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Westside Academy's (the Academy's) federal awards programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.



Dave Yost • Auditor of State

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

Westside Academy
Franklin County
4330 Clime Road, North
Columbus, Ohio 43228

To the Board of Directors:

We have audited the basic financial statements of the Westside Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-002 to be a significant deficiency. 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.

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, providing an opinion 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 and questioned costs as items 2011-001 and 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 16, 2012.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, the Academy's sponsor, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 16, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Westside Academy
Franklin County
4330 Clime Road, North
Columbus, Ohio 43228

To the Board of Education:

Compliance

We have audited the compliance of Westside Academy, Franklin County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2011-003 and 2011-004.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-003 to be a significant deficiency.

The Academy's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated March 16, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, the Academy's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 16, 2012

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | CFDA #84.287 – Twenty-First Century Community Learning Centers CFDA #84.394 – ARRA-State Fiscal Stabilization Fund – Education State Grants, Recovery Act |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

| | |
|-----------------------|----------|
| Finding Number | 2011-001 |
|-----------------------|----------|

**Finding for Recovery Repaid Under Audit
Board Member Compensation**

Ohio Rev. Code § 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools. During fiscal year 2011, the Board members of Westside Academy were also on the Board of International Academy of Ohio (D/B/A International Academy of Columbus). Although each Academy held separately distinct Board meetings, the meetings were held at the same place on the same day. Westside Academy did not memorialize their reimbursement rate for board members in a resolution; however, the Academy consistently paid the Board President \$125 per meeting and all other members \$100 per meeting. On 04/28/08 the governing authority for International Academy of Columbus approved a resolution to reimburse members at the rate of \$125 per meeting. During fiscal year 2011, Westside Academy paid the Board President \$125 per meeting and all other members \$100 per meeting and International Academy of Columbus paid all Board members \$125 per meeting.

If meetings are held at the same place on the same day for both Westside and International Academy schools, a governing authority member can only be compensated the total approved rate of \$125 per meeting attended. The \$125 member compensation should be charged and allocated equally to each Academy in the amount of \$62.50 per member for each meeting.

Based on the information above, Board member compensation exceeded the limits set forth in Ohio Rev. Code § 3314.025 as follows:

| Board Member | Compensation Paid by Westside | Allowable Compensation from Westside | Overpayment | Signed By | |
|---------------------|--------------------------------------|---|--------------------|------------------|-----------------|
| | | | | Treasurer | Director |
| Abukar Osman | \$300 | \$188 | \$112 | \$0 | \$112 |
| Marcel Anthony | \$1,375 | \$688 | \$687 | \$250 | \$437 |
| Dr. Hazem Gheith | \$900 | \$563 | \$337 | \$150 | \$187 |
| Dr. Souzan El-Kest | \$1,100 | \$688 | \$412 | \$150 | \$262 |
| Abdoul Shmohamed | \$600 | \$375 | \$225 | \$112 | \$113 |

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against board member Abukar Osman in the amount of \$112, board member Marcel Anthony in the amount of \$687, board member Dr. Hazem Gheith in the amount of \$337, board member Dr. Souzan El-Kest in the amount of \$412, and board member Abdoul Shmohamed in the amount of \$225, and in favor of the Academy's General Fund in the amount of \$1,773.

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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| Finding Number | 2011-001 (Continued) |
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**Finding for Recovery Repaid Under Audit
Board Member Compensation (Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Treasurer Barbara Henry and Director Heather O'Bannon both approved the overpayments to board members. Accordingly, Barbara Henry and her bonding company, Employers Mutual Casualty Company, will be jointly and severally liable in the amount of \$1,773 and in favor of the Westside Academy General Fund to the extent that recovery is not obtained from those individual board members listed above. Furthermore, Heather O'Bannon will be jointly and severally liable in the amount of \$1,111 and in favor of the Westside Academy General Fund to the extent that recovery is not obtained from those individual board members listed above.

On March 15, 2012, the Board members listed above repaid the Academy the \$1,773.

Officials' Response

We're expressing our objection to the above "Finding for Recovery". This is not about the return of a few thousand dollars (A total of \$1773, an average of \$355 per board member spread over a whole year), but about our reputation for always conducting ourselves openly and in compliance with the law.

For the now repealed cited statute ORC 3314.025, everyone in the industry understood this statute to have been enacted to address a specific problem. There was once a problem of board members receiving payment (in some cases thousands of dollars per meeting) from multiple schools for one joint meeting conducted at the same time.

After this statute ORC 3314.025 was enacted, back in 2007, the industry practice understood and the Ohio Department of Education (ODE) represented that this statute prohibited receiving multiple payments for meetings conducted, simultaneously, at "the same place and time." The Boards for International Academy and Westside Academy have been very distinct and deliberate in the separation of their meetings.

The Ohio Department of Education states on their web-site under "**Legislation for Community Schools**" the following : If an individual is a member of more than one governing authority, and the governing authorities **meet at the same place and time**, the combined compensation for attending both schools' governing authority meetings may be no greater than \$125. The board meetings in question were not held at the same time and certainly were not "joint meetings". Our monthly public notices, our board minutes, and the presence of our Sponsor's representative at all these meetings attest to this fact.

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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| Finding Number | 2011-001 (Continued) |
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**Finding for Recovery Repaid Under Audit
Board Member Compensation (Continued)**

Our sponsor, Buckeye Hope, among many others, also interpreted the statute per industry standards and felt we were correct with our procedures.

The issue of meetings and payment to board members was raised in several previous audits done by the same state auditors since 2008, and nothing was said in any prior audit as a comment or non-compliance citation with regard to this matter.

It is clear that our sponsor and school boards relied on the prior conduct of the state auditors and on the ODE's representation, which is still there, on its web-site on this issue. Furthermore, our school boards relied on the state auditor's office's precedent not only with our school but with other schools similarly situated.

Finally, this law, ORC 3314.025, has now been repealed.

After all of this, for the auditors to come in this year and retroactively apply a different interpretation of a repealed law to recover a few thousand dollars is a discriminatory, arbitrary, and capricious application of the law.

Our school did nothing wrong and we consider this decision not to be founded in common sense, or a fair understanding of the law.

Auditor of State's Analysis:

Ohio Rev. Code § 3314.025, mandates that if an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools. The amount paid to that individual for that day shall be divided evenly among the start-up community schools for which that individual is a governing authority member. Irrespective of whether or not those meetings were held "separately", as the Academy contends was the case, this is not exception under the statute. Further, although Ohio Rev. Code § 3314.025 was repealed as of September 29, 2011, the Academy was still under an obligation to comply with the former reading of the statute as recited above, for the audit period ending June 30, 2011. As such, compensation was limited to \$125 in total for both meetings.

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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| Finding Number | 2011-002 |
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**Material Noncompliance / Significant Deficiency
Equipment & Real Property Management**

Finding 2011-003 below describes deficiencies in the tracking of the Academy's capital assets. We believe this finding also represents noncompliance and a significant deficiency under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
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|------------------------------------|--|
| Finding Number | 2011-003 |
| CFDA Title and Number | Twenty-First Century Community Learning Centers(#84.287) |
| Federal Award Number / Year | FY 2011 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

**Material Noncompliance / Significant Deficiency
Equipment & Real Property Management**

34 CFR 80.32(D) (USDE codified OMB Circular A-102) states that the recipients management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

- (1) Property records must be maintained that include:
 - (i) A description of the property,
 - (ii) A serial number or other identification number,
 - (iii) The source of property,
 - (iv) Who holds title,
 - (v) The acquisition date,
 - (vi) Cost of the property,
 - (vii) Percentage of Federal participation in the cost of the property,
 - (viii) The location,
 - (ix) The use and condition of the property,
 - (x) And any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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| Finding Number | 2011-003 (Continued) |
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**Material Noncompliance / Significant Deficiency
Equipment & Real Property Management (Continued)**

The Ohio Department of Education (ODE) has adopted the general requirements of the agency codification of the A-102 Common Rule and has imposed those requirements on its subrecipients.

Furthermore, Ohio Administrative Code §117-2-02(D) states that all public offices may maintain accounting records in a manual or computerized format. The records used shall be based on the nature of operations and services the public office provides. Such records should include capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number.

As of June 30, 2011, the Academy had no formal written policies or procedures over equipment/capital assets. Additionally, the Academy did not maintain a equipment/capital asset listing in accordance with 34 CFR 80.32(D)(1) and OAC 117-2-02(D). Failure to develop and implement such policies/listings could result in the theft or loss of property without management's detection, inaccurate financial reporting of the Academy's capital assets, and federal non-compliance.

We recommend that the Academy develop and implement written policies and procedures for identifying and recording equipment/capital assets in accordance with the state and federal guidelines stated above. We further recommend that the Academy develop a capital asset listing and perform inventory procedures as required above.

Officials' Response and Corrective Action Plan

The school is formalizing its asset listing with the help of MEC (Metropolitan Educational Cooperative).

The school has put all equipment purchases made since the beginning of operation on a spreadsheet that matches the circular. A physical inventory will be conducted in May 2012. Once the inventory is completed, the information will be sent to MEC who will assist the school to input the information into the State software. This project is required to be completed by June 30, 2012 for reporting purposes.

Formal policies and procedures with regard to physical inventory procedures will be completed and adopted by the board of directors by the June 2012 meeting.

The contact for this finding is Mohamed Inbrahim.

**WESTSIDE ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

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|------------------------------------|--|
| Finding Number | 2011-004 |
| CFDA Title and Number | Twenty-First Century Community Learning Centers(#84.287) |
| Federal Award Number / Year | FY 2010 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

**Material Noncompliance / Material Weakness / Questioned Costs
Period of Availability**

34 CFR § 80.23 states that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. Additionally, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation).

During fiscal year 2011, the Academy charged various expenditures totaling \$10,832 to Twenty-First Century Community Learning Centers grant for which the costs were obligated outside of the period of availability.

Total questioned costs for expenditures obligated outside of the period of availability are \$10,832 of the Academy's \$217,467 expended from the Twenty-First Century Community Learning Centers grant for fiscal year 2010. We recommend that the Academy use grant funds only for expenditures obligated during the period of availability and ensure procedures for costs charged to its grant awards for obligations incurred during the funding period are followed.

Officials' Response and Corrective Action Plan

The school issues purchase order for all purchases to be made after June 30th of each year if it is related to the summer school program. Westside will make sure the invoices reflect the period to which the activities are being applied by making sure the purchase order number is included on the invoice and the date the service was order is also reflected.

It is the schools intention to use all available funds for this grant by the June 30th deadline.

The contact for this finding is Barbara Henry, Treasurer.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Westside Academy
Franklin County
4330 Clime Road North
Columbus, Ohio 43228

To the Board of Directors:

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Westside Academy, Franklin County, Ohio, (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

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.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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 Academy'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".

Dave Yost
Auditor of State

March 16, 2012

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www.auditor.state.oh.us



Dave Yost • Auditor of State

WESTSIDE ACADEMY

FRANKLIN 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
MAY 24, 2012**