



Dave Yost • Auditor of State

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

West Carrollton Secondary Academy
Montgomery County
430 East Pease Avenue
West Carrollton, Ohio 45449

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the West Carrollton Secondary Academy, Montgomery County, Ohio (the Academy), a component unit of the West Carrollton City School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Carrollton Secondary Academy, Montgomery County, Ohio, as of June 30, 2016, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2017, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 15, 2017

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The management's discussion and analysis of West Carrollton Secondary Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2016. 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 the financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- Net position was \$11,937 at June 30, 2016.
- The Academy had operating revenues of \$510,759, operating expenses of \$496,179 and non-operating revenues of \$19,784 during fiscal year 2016. The total change in net position for the year was an increase of \$34,364.

Using these Basic Financial Statements

This annual report consists of three parts; Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* 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 Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

The statement of net position and statement of revenues, expenses and changes in net position look at all financial transactions to determine how well the Academy has performed financially through June 30, 2016. 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 statements report the Academy's *net position* and changes in that position. This change in net position tells the reader whether, 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 7 and 8 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 9 of this report.

The notes 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 11-16 of this report.

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table that follows provides a summary of the Academy's net position at June 30, 2016 and June 30, 2015.

	Net Position	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets	\$ 34,661	\$ 8,648
Total assets	<u>34,661</u>	<u>8,648</u>
<u>Liabilities</u>		
Current liabilities	<u>22,724</u>	<u>31,075</u>
Total liabilities	<u>22,724</u>	<u>31,075</u>
<u>Net Position</u>		
Unrestricted (deficit)	<u>11,937</u>	<u>(22,427)</u>
Total net position (deficit)	<u>\$ 11,937</u>	<u>\$ (22,427)</u>

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2016, the Academy's net position was \$11,937.

Current assets consist of cash and intergovernmental receivables owed to the Academy from the Ohio Department of Education (see Note 8.C in the notes to the basic financial statements for detail).

Current liabilities consist of intergovernmental payables. Intergovernmental payables represent amounts owed at June 30, 2016 to the West Carrollton City School District for services provided during fiscal years 2016 and to the Ohio Department of Education as a result of the fiscal year 2016 enrollment data and full-time equivalency review (See Note 8.C in the notes to the basic financial statements for detail).

The statement of revenues, expenses, and changes in net position show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating expenses and the revenues associated with those expenses for the year.

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**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2016 and 2015.

	2016	2015
<u>Operating revenues:</u>		
State Foundation	\$ 510,759	\$ 546,414
Total operating revenue	510,759	546,414
<u>Operating expenses:</u>		
Purchased services	487,810	592,391
Materials and supplies	2,015	4,248
Other	6,354	6,376
Total operating expenses	496,179	603,015
<u>Non-operating revenues:</u>		
Grants and subsidies	19,776	12,513
Interest revenue	8	13
Total non-operating revenues	19,784	12,526
Change in net position	34,364	(44,075)
Net position (deficit) at beginning of year	(22,427)	21,648
Net position (deficit) at end of year	\$ 11,937	\$ (22,427)

The Academy's main source of revenue is the State Foundation revenue, in an amount based upon the number of students attending the Academy. The Academy had 72 students in fiscal year 2016 compared to 85 in 2015. Most of the Academy's expenses are for purchased services; these expenses are primarily payments to the Academy's Sponsor (the West Carrollton City School District). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the Academy. In addition, the Sponsor provides personnel services to the Academy under a purchased services basis. See Note 9 in the notes to the basic financial statements for more detail on the Sponsorship Contract.

Non-operating revenues consist of grants and subsidies and interest revenue. Grants and subsidies for the Academy consist of the IDEA Part B federal grant and the Academy's share of the casino tax revenue distributed by the State of Ohio.

Capital Assets

At June 30, 2016 and June 30, 2015, the Academy did not have any capital assets.

Current Financial Related Activities

The Academy is sponsored by the West Carrollton City School District. The Academy is designed to assist students in an alternative route to a high school diploma. The Academy limits enrollment to students who have previously dropped out of high school or who are at risk of dropping out of high school. The Academy is reliant upon state foundation monies and federal grants to offer quality, educational services to students.

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the West Carrollton Secondary 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 Mr. Ryan Slone, Treasurer, West Carrollton Secondary Academy, 430 East Pease Avenue, West Carrollton, Ohio 45449.

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Cash	\$ 8,501
Receivables:	
Intergovernmental	<u>26,160</u>
Total assets	<u>34,661</u>
 Liabilities:	
Current liabilities:	
Intergovernmental payable	<u>22,724</u>
Total liabilities.	<u>22,724</u>
 Net position:	
Unrestricted	<u>11,937</u>
Total net position	<u>\$ 11,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
State Foundation	\$ 510,759
Total operating revenues	<u>510,759</u>
 Operating expenses:	
Purchased services.	487,810
Materials and supplies.	2,015
Other.	<u>6,354</u>
Total operating expenses.	<u>496,179</u>
 Operating income	 <u>14,580</u>
 Non-operating revenues:	
Grants and subsidies.	19,776
Interest revenue	<u>8</u>
Total nonoperating revenues	<u>19,784</u>
 Change in net position	 34,364
 Net position (deficit) at beginning of year . .	 <u>(22,427)</u>
 Net position at end of year	 <u>\$ 11,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from State Foundation	\$ 484,842
Cash payments for contractual services	(496,404)
Cash payments for materials and supplies	(2,015)
Cash payments for other expenses	(6,354)
	(19,931)
Net cash used in operating activities	(19,931)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	19,776
	19,776
Net cash provided by noncapital financing activities.	19,776
Cash flows from investing activities:	
Interest received	8
	8
Net cash provided by investing activities	8
Net decrease in cash and cash equivalents	(147)
Cash and cash equivalents at beginning of year . . .	8,648
Cash and cash equivalents at end of year	\$ 8,501
	8,501
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 14,580
Changes in assets and liabilities:	
Increase in intergovernmental receivable.	(26,160)
Decrease in accounts payable	(1,600)
Decrease in intergovernmental payable	(6,751)
	(34,511)
Net cash used in operating activities	\$ (19,931)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE ACADEMY

The West Carrollton Secondary Academy (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of “at-risk” students aged 16-22 in grades 10-12 who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions. The Academy 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 is considered a component unit of the West Carrollton City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61.

The Academy was approved for operation under a Community School Sponsorship Contract (hereafter “Sponsorship Contract”) dated March 7, 2012 with the West Carrollton City School District (the “Sponsor”) for a period of five years commencing on July 1, 2012 and ending June 30, 2017. Pursuant to the Sponsor’s authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor’s treasurer to serve as the Academy’s fiscal officer. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. The Academy operates in a facility that is provided and maintained by the Sponsor at no cost to the Academy.

The Academy operates under the direction of a three-member Board of Directors appointed by the Sponsor. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards and admission standards.

The Academy has entered into an Agreement for the Provision of Services (hereafter “Service Agreement”) on May 15, 2013 with the West Carrollton City School District (the “District). The term of the Service Agreement commences July 1, 2012 and ends June 30, 2017. The Service Agreement between the Academy and the District is further described in Note 9.

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's significant accounting policies are described below.

A. Basis of Presentation

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

Enterprise reporting focuses on the determination of the change in net position, financial position and cash flows.

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place. Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

All monies received by the Academy are deposited into a demand deposit account. For internal accounting purposes, the Academy segregates its cash into various funds.

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$5,000. 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 had no capital assets at June 30, 2016.

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy 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 position is available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant and other unrestricted grants-in-aid from the State of Ohio. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. State foundation revenue for the fiscal year 2016 was \$510,759.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. 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. Grant revenue for the fiscal year 2016 was \$19,776.

J. Estimates

The preparation of basic 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.

K. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2016. These expenses are reported as accrued liabilities in the accompanying financial statements.

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2016, the Academy has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Academy.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Academy.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2016, the carrying amount of the Academy's deposits was \$8,501. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, the Academy's entire bank balance of \$8,815 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016 consist of \$26,160 due to the Academy from the Ohio Department of Education, all of which will be collected within one year. See Note 8.C for more detail.

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2016, purchased services expenses consisted of professional and technical services in the amount of \$487,810. This includes an intergovernmental payable of \$14,888 to the Academy's sponsor.

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 7 - 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 contracted personnel; and natural disasters. For fiscal year 2016, the Academy was named as an additional insured party on the Sponsor's insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2015.

NOTE 8 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy.

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. State Foundation Funding

The Ohio Department of Education (ODE) 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. As a result of the review after fiscal year-end, the Academy was owed a net amount of \$18,324 from ODE, which is reported on the financial statement as an intergovernmental receivable of \$26,160 and an intergovernmental payable of \$7,836. These amounts will be received/paid by increasing/decreasing fiscal year 2017 Foundation revenues.

NOTE 9 - SERVICE AGREEMENT

The Academy has entered into a Service Agreement with the West Carrollton City School (District). Under the Service Agreement, the District agrees to provide the Academy with certain supervisory/administrative, fiscal, and technical services sufficient to substantially implement, in cooperation with the Academy, the Academy's obligations pursuant to the Sponsorship Contract, including the following: (1) fiscal services; payroll services, EMIS services; and other agreed-upon by both parties, (2) facility services, including the provision and maintenance of the facilities in which the Academy is located, together with utility service, and insurance related to the same, (3) other nonteaching personnel services, as requested by the Academy and agreed to by the District, and (4) technology related services. In addition, the District shall provide the Academy with teaching staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the District (as the Academy's Sponsor).

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - SERVICE AGREEMENT - (Continued)

The price for services rendered by the Sponsor to the Academy is established by the Sponsorship Agreement. For the services rendered, the Academy shall pay the District all of the amounts received by the Academy from the State of Ohio for operating expenses, less the following amounts: (1) those amounts payable by the Academy to the District pursuant to the Sponsorship Contract or another agreement (e.g., for teaching and certain administrative services), (2) those amounts payable by the Academy to third-parties pursuant to contracts properly entered into between the Academy and such third-parties, if and as permitted by the Sponsorship Contract and with the consent of the District is required, and (3) that amount, if any, needed in order for the Academy to carryover from one fiscal year to the next a total cash balance of \$2,000. Such fees shall be paid by the Academy to the District according to a schedule agreed to by the parties, but not less than two times per fiscal year.

All services are to be provided on a purchased service basis. The Academy paid \$474,150 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2016.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

On July 1, 2015 the Academy was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016 MDECA merged with the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each District's degree of control is limited to its representation on the Board. The Academy paid META \$2,560 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

NOTE 11 - FEDERAL TAX-EXEMPT STATUS

In accordance with the options granted under existing Ohio law and the Academy's relationship with the Sponsor, the School is considered a governmental entity not subject to tax and is not required to file for not-for-profit tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code.



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 Carrollton Secondary Academy
Montgomery County
430 East Pease Avenue
West Carrollton, Ohio 45449

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 West Carrollton Secondary Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 15, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. We consider findings 2016-001 and 2016-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-003 described in the accompanying schedule of findings to be a significant deficiency.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as Findings Numbers 2016-001 through 2016-004.

Academy's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

May 15, 2017

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

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

Material Weakness and Non-Compliance

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

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

Ohio Rev. Code § 3314.08 (H)(3) includes the following: "The department shall determine each community school student's percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school's entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year." In addition, **Ohio Rev. Code Section 3314.03 (A)(11)(a)** states, in part, "The school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year."

The Academy offered seven hundred eighty-seven and one half hours of in-class instruction during the 2015-2016 school year. The remaining one hundred thirty-two and one half hours offered were attributed to online courses completed outside of the classroom and employment credit for students working a job or internship. However, no documentation was maintained by the Academy to support the employment status of students receiving credit through working their job or internship and insufficient reporting was documented to differentiate between online courses being completed during School hours included in the in-class instruction hours and online courses being completed outside of School hours to supplement the total hours of required instruction.

The Academy's procedures to track FTE during fiscal year 2016 was to assess FTE based on the period between a student's enrollment date and withdraw date, if applicable, or last day of school. If a student was enrolled the entire school year the Academy reported an FTE of 1 for the student in EMIS; similarly, if a student was enrolled for a period of 60 days out of a possible 175 days, the Academy reported an FTE of .34 out of 1 for the student in EMIS. The Academy did not have policies or procedures in place during the audit period to capture the duration of time a student was engaged in learning opportunities.

**FINDING NUMBER 2016-001
(Continued)**

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

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

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

In addition, this issue will be referred to the Ohio Department of Education for further evaluation.

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

Officials' Response:

See following Corrective Action Plan.

FINDING NUMBER 2016-002

Material Weakness and Non-Compliance

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

FINDING NUMBER 2016-002
(Continued)

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

The Executive Director of the West Carrollton Secondary Academy (the Academy) stated that for fiscal year 2016, each student had an Individualized Student Education Plan (SEP), which documented the student's progress and goals for timely graduation.

During the audit, it was noted that 20 of the 29 student enrollments examined did not have enrollment forms on file and therefore did not have clear documentation relating to the timeliness of enrollment and beginning learning opportunities. In addition, time spans between 7-17 days were noted from when enrollment occurred and when learning opportunities occurred for 5 of the 29 student enrollments tested.

During the audit, it was noted that 4 of the 17 student withdrawals examined did not have withdrawal forms on file and therefore did not have clear documentation relating to the timeliness of withdrawal and ending learning opportunities. In addition, time spans between 1 month to 1 year were noted from when withdrawal occurred and when learning opportunities ended for 3 of the 17 student enrollments tested.

The following were also noted during attendance testing:

- 60 out of 60 students tested did not have student education plans in their student file.
- 54 out of 60 students tested did not have student logs/attendance records in their student files.
- 37 out of 60 students tested did not have report cards in their student files.
- 3 out of 60 students tested did not have a birth certificate in their student files.
- 1 out of 60 students tested did not have proof of residency in his or her student file.
- 1 out of 60 students tested did not have a student file at all.

In addition, **Ohio Admin. Code Section 3301-69-02(B)(2)** provides, in part, regulations governing excuses for absence from school for the following reasons:

1. Illness of the child. (The approving authority may require the written statement of a physician/mental health professional if it is deemed appropriate.)
2. Illness in the family necessitating the presence of the child. (The approving authority may require the written statement of a physician and an explanation as to why the child's absence was necessary, if it is deemed appropriate.)
3. Quarantine of the home. (The absence of a child from school under this condition is limited to the length of quarantine as determined by the proper health officials.)
4. Death of a relative. (The absence arising from this condition is limited to a period of three days unless a reasonable cause may be shown by the applicant child for a longer absence.)
5. Medical or dental appointment. (The approving authority may require the written statement of a physician or dentist if it's deemed appropriate.)
6. Observance of religious holidays. (Any child shall be excused if his/her absence was for the purpose of observing a religious holiday consistent with his/her truly held religious beliefs.)
7. College visitation. (The approving authority may require verification of the date and time of the visitation by the college, university, or technical college.)

**FINDING NUMBER 2016-002
(Continued)**

8. Emergency or other set of circumstances in which the judgment of the superintendent of schools constitutes a good and sufficient cause for absence from school. Pursuant to division (C) of section 3321.04 of the Revised Code, the board of education of the city or exempted village school district or the governing board of the educational service center in which a public school is located or the governing authorities of a private or parochial school may in the rules governing the discipline in such schools, prescribe the authority by which and the manner in which any child may be excused for absence from such school for good and sufficient reasons.

Additionally, **Ohio Admin. Code § 3301-69-02(B)(1)** states, in part, that the parent or guardian must provide an explanation for the absence, which shall be recorded by the approving authority of the school and shall include the date and time of the absence.

We tested all absences for 60 students during the fiscal year. All excused absences in the applicable student's file indicated a reason for the absence that met one of the criteria listed above; however, 58 of 60 students' excused absences had no written documentation of a discussion or phone call with a parent or guardian maintained in the student files to support the reason for the absences.

Failure to maintain adequate support for all recorded excused absences may result in unapproved and/or unallowed excused absences and inaccurate monitoring of student attendance and full-time equivalent (FTE) documentation.

In addition, this issue will be referred to the Ohio Department of Education for further evaluation.

The Academy should establish and implement procedures to verify that enrollment and withdrawals are made timely, are supported by proper documentation, and adhere to ODE guidelines and the Academy's policies. The Academy should also implement procedures to maintain all relevant student file information for accurate FTE reporting to ODE.

The Academy should maintain documentation related to all excused absences in accordance with allowable reasons. Such support should be maintained in the applicable student's file and should include, but not be limited to, a written note from the student's parent or guardian, or a log documenting a phone call between the student's parent or guardian and the Academy. The log should contain the date of the absence, the date of the phone call, name of the Academy personnel involved with the phone call, the name of the parent or guardian involved with the phone call, and the reason for the absence. The Academy should develop and implement procedures to adequately support all excused absences.

Officials' Response:

See following Corrective Action Plan.

FINDING NUMBER 2016-003

Significant Deficiency and Non-Compliance

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

**FINDING NUMBER 2016-003
(Continued)**

Upon review of the School's contract with the West Carrollton City School District (the Sponsor), we noted that Exhibit 1 to the contract defines extensively the educational plan utilized by the School. The contract, however, does not specify how the School intends to comply with documenting the "criteria for student participation" pursuant to requirements established by the Ohio Department of Education (ODE), and, therefore, how the Sponsor effectively may monitor such compliance.

This exclusion could result in the failure of the School to comply fully with Ohio law, and with requirements and standards established by the Ohio Department of Education. These potential failures could affect the Sponsor's ability to continue sponsoring schools in the future as well as have a potential impact on the School's funding from the Ohio Department of Education.

In addition, this issue will be referred to the Ohio Department of Education for further evaluation.

The Sponsor and the School should develop a contract that provides specific definitions and procedures that will help verify compliance with the various Ohio Rev. Code Sections, as well as the various requirements of the Ohio Department of Education.

Officials' Response:

See following Corrective Action Plan.

FINDING NUMBER 2016-004

Non-Compliance

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

The Academy offered blended learning opportunities to enrolled students during fiscal year 2016. However, the Academy did not send a declaration that it offered blended learning opportunities to the Ohio Department of Education (ODE) for fiscal year 2016.

The Academy should implement procedures to annually report to the Ohio Department of Education its intent to offer blended learning opportunities. Failure to do so could result in ODE not properly classifying the Academy as a brick and mortar school with blended learning opportunities.

This issue will be referred to ODE.

Officials' Response:

See following Corrective Action Plan.

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	We are exploring other software that allows us to calculate student time more accurately when working online. Pay stubs have been acquired and retained.	June 30, 2017	Heather Pinto, Executive Director/ Craig Myers, President
2016-002	Proper documentation has been collected and added to student files to address compliance for the 2016-2017 school year.	June 30, 2017	Heather Pinto, Executive Director/ Craig Myers, President
2016-003	We are exploring and creating a process and document to address this concern.	June 30, 2017	Heather Pinto, Executive Director/ Craig Myers, President
2016-004	Policies and procedures have been put into place to notify ODE of intent to offer blended learning opportunities.	June 30, 2017	Heather Pinto, Executive Director/ Craig Myers, President



Dave Yost • Auditor of State

WEST CARROLLTON SECONDARY ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 15, 2017**