



Mary Taylor, CPA
Auditor of State

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

West Central Learning Academy II
Allen County
650 East Edwards Street
Lima, Ohio 45801

To the Board of Directors:

We have audited the accompanying financial statements of the West Central Learning Academy II, Allen County, (the Academy), as of and for the year ended June 30, 2007, 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.

Ohio Administrative Code § 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of West Central Learning Academy II, Allen County, as of June 30, 2007, and the respective changes in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 14, 2008

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

This discussion and analysis of West Central Learning Academy II's (the Academy) financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2007, within the limitations of the Academy's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

HIGHLIGHTS

Key highlights for fiscal year 2007 are as follows:

- Net assets of the Academy increased \$158,887 or 93 percent from the prior year.
- The Academy's revenues are primarily school foundation payments, and grants and entitlements. These receipts represent respectively 82 and 7 percent of the total cash received during the year. School foundation payments are based on ADM, which fluctuates and grants are expiring without replacement opportunities.

USING THE BASIC FINANCIAL STATEMENTS

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

Report Components

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

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

Basis of Accounting

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

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

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

REPORTING THE ACADEMY AS A WHOLE

The statement of net assets and the statement of revenues, expenses and changes in net assets reflect how the Academy did financially during fiscal year 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the business-type activities of the Academy at year end. The statement of revenues, expenses and changes in net assets presents cash disbursements compared with revenues of the business-type activity.

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

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

Table 1 provides a summary of the Academy's net assets for 2007 compared to 2006 on a cash basis:

**Table 1
Net Assets**

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets	<u>\$329,681</u>	<u>\$170,794</u>
Net Assets		
Restricted-Other purposes	11,994	10,625
Unrestricted	<u>317,687</u>	<u>160,169</u>
Total Net Assets	<u>\$329,681</u>	<u>\$170,794</u>

Total assets increased by \$158,887, which represents a 93 percent increase from fiscal year 2006. Net assets increased because of the strategy implemented in 2006 to delay the deficit by decreasing staff days.

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

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets**

	2007	2006
Operating Revenue		
Foundation Payments	\$705,490	\$524,176
Contracted Services	48,706	52,880
Special Education	30,811	36,556
Other Operating Revenues	7,550	6,931
Total Operating Revenues	792,557	620,543
Operating Expenses		
Salaries	361,560	382,558
Fringe Benefits	135,229	113,031
Purchased Services	121,424	159,144
Material and Supplies	13,588	8,248
Capital Outlay	60,541	27,713
Other Operating Expenses	5,026	8,885
Total Operating Expenses	697,368	699,579
Non operating Revenue		
Operating Grants - Federal	55,290	185,001
Operating Grants - State	8,100	7,100
Interest	308	144
Refund of Prior Year Expenditures	0	1,926
Total Non operating Revenues	63,698	194,171
Increase (Decrease) in Net Assets	\$158,887	\$115,135

State Foundation Payments and Special Education, as a whole, are the primary support for the Academy, representing 93 percent of the operating revenue. Salaries and Fringe Benefits comprise 71 percent of operating expenses.

The Academy had total revenues of \$856,255, and total expenses of \$697,368. The change in net assets for the year was an increase of \$158,887 which was due to the decrease of staff days.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

The Academy does not currently have any debt.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

CURRENT ISSUES

The challenge for all Academies is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. The strategy to delay the deficit implemented in 2005 was successful. That strategy has been continued through to 2007 and the Academy's net assets increased during fiscal year 2007. We have reviewed our sources of revenue and determined that increases were unlikely unless more students enroll as school foundation payments are based on ADM and grants are expiring without replacement opportunities.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the West Central Learning Academy II's Treasurer or Superintendent, 650 East Edwards Street, Lima, Ohio 45801.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$ 329,681</u>
Total Assets	<u><u>329,681</u></u>

Net Assets

Restricted - Other Purposes	11,994
Unrestricted	<u>317,687</u>
Total Net Assets	<u><u>\$ 329,681</u></u>

See accompanying notes to the basic financial statements.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Operating Revenues:	
Foundation Payments	\$705,490
Special Education	30,811
Contracted Services	48,706
Other Operating Revenues	<u>7,550</u>
Total Operating Revenues	792,557
Operating Expenses:	
Salaries	361,560
Fringe Benefits	135,229
Purchased Services	121,424
Materials and Supplies	13,588
Capital Outlay	60,541
Other Operating Expenses	<u>5,026</u>
Total Operating Expenses	<u>697,368</u>
Operating Loss	95,189
Non-Operating Revenues	
Operating Grants - Federal	55,290
Operating Grants - State	8,100
Interest	<u>308</u>
Total Non-Operating Revenues	<u>63,698</u>
Change in Net Assets	158,887
Net Assets at Beginning of Year	170,794
Net Assets at End of Year	<u><u>\$329,681</u></u>

See accompanying notes to the basic financial statements.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE ENTITY

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

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

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

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

The Academy operates under the direction of a five-member Board of Directors. Board members are appointed and are responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Basis of Accounting

Enterprise Accounting – The Academy use enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast.

D. Cash

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

E. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and revenues from this program are recognized as operating revenues in the accompanying financial statements. The Academy participates in the Educational Management Information System, Ohio K-12 Connectivity, eTech (formerly SchoolNet), Entry Year, Federal IDEA B-Retarded/Disabled, Title I – Special Education, Innovative Programs, Improving Teacher Quality, and Education Technology Grant programs through the Ohio Department of Education. Revenues received from these programs are recognized as non-operating revenue on the accompanying financial statements. Under these programs, the School was awarded and received \$63,390.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2007, the Academy had \$11,439 in restricted net assets, none of which was restricted by enabling legislation.

3. ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time.

4. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits was \$329,681 and the bank balance was \$360,862. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*," as of June 30, 2007, \$210,393 of the Academy's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Academy's name.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits in excess of FDIC coverage are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

Investments - The Academy had no investments.

5. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2007, the Academy was insured through Auto Owners Insurance Company as follows:

Commerical General Liability	
General Aggregat Limit	\$3,000,000
Operations Aggregate Limit	3,000,000
Personal Injury Limit	1,000,000
Each Occurrence Limit	1,000,000
Fire Damage	50,000
Medical Expense	5,000

6. PURCHASED SERVICES

For the period ended June 30, 2007, purchased service expenses were payments for services rendered by various vendors, as follows:

Administrative Services	\$ 45,601
Instructional Support	24,431
Support Services Contracts	<u>51,392</u>
Total Purchased Services	<u>\$121,424</u>

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. DEFINED BENEFIT PENSION PLANS – (Continued)

SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$4,448, \$4,563, and \$2,452 respectively.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. 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 the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$47,003, \$44,126, and \$46,577, respectively. Contributions to the DC and Combined Plans for fiscal year 2007 were \$418 made by the Academy and \$398 made by the plan members.

8. POST-EMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled \$3,616 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$2,011.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. 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, 2007.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. For fiscal year 2007, the Academy received notice from the Ohio Department of Education of an overpayment in the amount of \$4,610 that will be deducted equally over the next 8 payments.

10. STATE SCHOOL FUNDING DECISION

A lawsuit entitled Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #:3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October, 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on West Central Learning Academy II cannot presently be determined.

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Mary Taylor, CPA

Auditor of State

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

West Central Learning Academy II
Allen County
650 East Edwards Street
Lima, Ohio 45801

To the Board of Directors:

We have audited the financial statements of the business-type activities of the West Central Learning Academy II (the Academy), as of and for the year ended June 30, 2007, which comprise the Academy's basic financial statements and have issued our report thereon dated March 14, 2008, wherein, we noted the Academy uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be 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.

We noted certain internal control matters that we reported to the Academy's management in a separate letter dated March 14, 2008.

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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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

We also noted a certain noncompliance and other matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter date March 14, 2008.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education and the community school sponsor. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 14, 2008

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance - Report Presentation

Ohio Rev. Code Section 117.38 states, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires a Community School to prepare its annual financial report in accordance with generally accepted accounting principles.

The Academy prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the Academy should prepare its financial statements according to generally accepted accounting principles.

Officials Response:

The West Central Learning Academy is unable to convert to Generally accepted Accounting Principles (GAAP) due to financial limitations. Our fund balance is not adequate to support the cost of converting to GAAP. In 2005, the staff took a pay cut to keep the Academy operating. As of the 2007/2008 school year, the staff is still operating under the same pay cut.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Rev. Code Section 117.38 Ohio Admin. Code 117-2-03(B) GAAP filing required.	No	Repeated as Finding 2007-001



Mary Taylor, CPA
Auditor of State

WEST CENTRAL LEARNING ACADEMY II

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2008**