



Mary Taylor, CPA
Auditor of State

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

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Mary Taylor, CPA

Auditor of State

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, 2008, 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, 2008, and the 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 November 4, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 4, 2008

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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, 2008, within the limitations of the Academy's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

HIGHLIGHTS

Key highlights for fiscal year 2008 are as follows:

- Net assets of the Academy increased \$222,547 or 68 percent from the prior year.
- The Academy's revenues are primarily school foundation payments, and grants and entitlements. These receipts represent respectively 87 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.

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 2008, 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.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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 2008 compared to 2007 on a cash basis:

**Table 1
Net Assets**

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$552,228	\$329,681
Net Assets		
Restricted-Other purposes	9,349	11,994
Unrestricted	542,879	317,687
Total Net Assets	<u>\$552,228</u>	<u>329,681</u>

Total assets increased by \$222,547, which represents a 68 percent increase from fiscal year 2007. Net assets increased because of the strategy implemented in 2007 to delay the deficit by decreasing staff days and giving mid-year salary increases as opposed to full year increases.

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.

**Table 2
Change in Net Assets**

	<u>2008</u>	<u>2007</u>
Operating Revenue		
Foundation Payments	\$ 764,982	\$ 705,490
Contractred Services	20,675	48,706
Special Education	24,574	30,811
Other Operating Revenues	10,101	7,550
Total Operating Revenues	820,332	792,557
Operating Expenses		
Salaries	381,749	361,560
Fringe Benefits	101,503	135,229
Purchased Services	87,029	121,424
Material and Supplies	60,929	13,588
Capital Outlay	20,123	60,541
Other Operating Expenses	8,489	5,026
Total Operating Expenses	<u>659,822</u>	<u>697,368</u>

(Continued)

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

	<u>2008</u>	<u>2007</u>
Non operating Revenue		
Operating Grants - Federal	45,636	55,290
Operating Grants - State	15,943	8,100
Interest	458	308
Total Non operating Revenues	<u>62,037</u>	<u>63,698</u>
Increase (Decrease) in Net Assets	<u>\$222,547</u>	<u>\$158,887</u>

State Foundation Payments and Special Education, as a whole, are the primary support for the Academy, representing 96 percent of the operating revenue. Salaries and Fringe Benefits comprise 73 percent of operating expenses.

The Academy had total revenues of \$882,369, and total expenses of \$659,822. The change in net assets for the year was an increase of \$222,547 which was due to the decrease of staff days, fringe benefits, and additional revenue due to increased student enrollment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

The Academy does not currently have any debt.

CURRENT ISSUES

The challenge for 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 2008 and the Academy's net assets increased during fiscal year 2008. Upon review of the financial position, it was determined that the staff would receive a mid-year increase. A review of the 2009 financial position will determine future salary increases.

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.

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**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$552,228</u>
Total Assets	<u><u>552,228</u></u>

Net Assets

Restricted - Other Purposes	9,349
Unrestricted	<u>542,879</u>
Total Net Assets	<u><u>\$552,228</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, 2008**

Operating Revenues:

Foundation Payments	\$764,982
Contracted Services	20,675
Special Education	24,574
Other Operating Revenues	10,101
Total Operating Revenues	<u>820,332</u>

Operating Expenses:

Salaries	381,749
Fringe Benefits	101,503
Purchased Services	87,029
Materials and Supplies	60,929
Capital Outlay	20,123
Other Operating Expenses	8,489
Total Operating Expenses	<u>659,822</u>

Operating Income 160,510

Non-Operating Revenues

Operating Grants - Federal	45,636
Operating Grants - State	15,943
Interest	458
Total Non-Operating Revenues	<u>62,037</u>

Change in Net Assets 222,547

Net Assets at Beginning of Year 329,681

Net Assets at End of Year \$552,228

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, 2008**

1. DESCRIPTION OF THE ENTITY

The West Central Learning Academy II 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, 2008
(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 \$61,579.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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, 2008, the Academy had \$9,349 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, 2008, the carrying amount of the Academy's deposits was \$552,228 and the bank balance was \$611,875. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*," as of June 30, 2008, \$467,053 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, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

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

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

Investments - The Academy had no investments.

5. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2008, the Academy was insured through Auto Owners Insurance Company as follows:

Commerical General Liability	
General Aggregate 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, 2008, purchased service expenses were payments for services rendered by various vendors, as follows:

Administrative Services	\$ 7,200
Instructional Support	33,140
Support Services Contracts	<u>46,689</u>
Total Purchased Services	<u>\$ 87,029</u>

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$6,704, \$6,457 and \$6,171 respectively; 100 has been contributed for all years.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS – (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2008, 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 2007, 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 STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$47,489, \$47,003, and \$44,126 respectively; 100 percent has been contributed for all years. Contributions to the DC and Combined Plans for fiscal year 2008 were \$376 made by the Academy and \$358 made by the plan members.

C Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, no employees have elected to have Social Security withheld.

8. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$868.

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

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,814, \$1,383, and \$1,421, respectively; 100 percent has been contributed for all years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$286, \$283, and \$324, respectively; 100 percent has been contributed for all years.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$475, \$470, and \$441, respectively; 100 percent has been contributed for all years.

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, 2008.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. CONTINGENCIES (Continued)

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.



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, Allen County, (the Academy) as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 4, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-002 and 2008-003.

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.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2008-002 and 2008-003 are also material weaknesses.

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 matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 4, 2008.

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

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



Mary Taylor, CPA
Auditor of State

November 4, 2008

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

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:

Filing GAAP is a goal the West Central Learning Academy will work towards.

FINDING NUMBER 2008-002

Significant Deficiency / Material Weakness - Timely Recording of Transactions

Presentation of the financial statements is designed to provide an accurate presentation of the financial position of the entity to the public. Part of the underlying support for financial statements is accurate accounting records. To accurately present the current year basic financial statements revenue and fees associated with such revenue need to be posted timely. The following problems were noted with the accounting records:

- The June 2008 Foundation payment received on June 5, 2008 of \$71,161, and the \$5,493 in associated fees was not recorded until after fiscal year end.
- Expenditures initially paid from the General Fund and subsequently charged to the individual grant funds when the grant reimbursement was received were posted to the system twice. Revenue was posted twice as a receipt in the individual grant fund and refund of prior year expenditures in the General Fund. This resulted in expenditures for the year being overstated by \$18,164.
- The accounting records had not reconciled with the bank during any month of the audit period. The majority of the discrepancies were attributable to receipts and expenditures which were deposited or deducted from the Academy's bank account automatically that were not posted to the Academy's records timely in order to reconcile at month end.

**FINDING NUMBER 2008-002
(Continued)**

Lack of effective oversight of the financial reporting and internal control process by those charged with governance resulted in misstatements in the financial statements. In addition, the determination and rectification of these discrepancies by audit staff results in additional audit time and costs. These transactions have been adjusted to the accompanying financial statements.

During the process of accumulating data for the preparation of the financial statements, management should review the information for accuracy and completeness. In addition, management should review the financial reports to verify the accuracy and completeness of the financial statements.

Officials Response:

Timely recording of transactions was an issue during this audit period due to lack of staffing. Hiring additional staff in the treasurer's office to oversee transactions, postings and reconciling will be completed in January 2009.

FINDING NUMBER 2008-003

Significant Deficiency / Material Weakness - Timely Payment of Invoices

Thirty-two percent of tested payments were made between 37 and 328 days beyond the due date. Although the Academy had not paid late fees or finance charges; the consistent payment of invoices late could result in substantial late fees.

Procedures should be developed and a policy adopted that would require invoices to be submitted to the Treasurer and paid in a timely manner. Procedures could include tickler files of payment due dates and the means to obtain timely approvals so that the information can be submitted to the Treasurer for payment. Discussions should be held with the Treasurer for suggestions on the timely turnaround between submission and payment. Procedures should also be in place to provide for appropriate monitoring of the payment process.

Officials Response:

Timely payment of invoices was an issue during this audit period due to lack of staffing. Hiring additional staff in the treasurer's office to oversee invoice payments will be completed in January 2009.

WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-001	Ohio Rev. Code Section 117.38 Ohio Admin. Code 117-2-03(B) Preparation of financial statements in accordance with generally accepted accounting principles (GAAP).	No	Repeated as Finding 2008-001



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
DECEMBER 11, 2008**