



Dave Yost • Auditor of State

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

West Central Learning Academy II
Allen County
522 West North 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 fiscal year ended June 30, 2011. 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, 2011, and the changes in cash financial position thereof for the fiscal 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 December 8, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

December 8, 2011

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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 fiscal year ended June 30, 2011, 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 2011 are as follows:

- Net assets of the Academy increased \$115,917 or 13 percent from the prior year.
- The Academy's revenues are primarily school foundation payments and special education operating revenues; and federal grants and stimulus non-operating funds. These receipts represent respectively 82 and 15 percent of the total cash received during the year. School foundation payments are based on average daily membership (ADM), which fluctuates and the grants and stimulus funds are decreasing.

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 2011, 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, 2011
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 2011 compared to 2010 on a cash basis:

**Table 1
Net Assets**

	2011	2010
Assets		
Current Assets	\$1,014,229	\$898,312
Net Assets		
Restricted-Other purposes	7,289	70,565
Unrestricted	1,006,940	827,747
Total Net Assets	\$1,014,229	\$898,312

Total assets increased by \$115,917, which represents a 13 percent increase from fiscal year 2010. Net assets increased because of the strategy implemented to restructure staff and duties, not replace retiring employees, no salary increases and employees continue to pay 20% of insurance benefits.

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

**Table 2
Change in Net Assets**

	2011	2010
Operating Revenue		
Foundation Payments	\$674,583	\$671,398
Contracted Services	11,911	9,535
Special Education	31,632	39,420
Other Operating Revenues	5,792	13,824
Total Operating Revenues	723,918	734,177
Operating Expenses		
Salaries	441,984	387,445
Fringe Benefits	110,006	88,235
Purchased Services	69,871	113,255
Material and Supplies	33,242	35,186
Capital Outlay	81,593	22,590
Other Operating Expenses	8,550	7,546
Total Operating Expenses	745,246	654,257

(Continued)

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

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

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

	<u>2011</u>	<u>2010</u>
Non operating Revenue		
Operating Grants - Federal	127,664	138,992
Operating Grants - State	7,275	7,286
Interest	2,306	3,578
Total Non operating Revenues	<u>137,245</u>	<u>149,856</u>
Increase (Decrease) in Net Assets	<u>\$115,917</u>	<u>\$229,776</u>

State Foundation Payments and Special Education, as a whole, are the primary support for the Academy, representing 97 percent of the operating revenue. Salaries and Fringe Benefits comprise 74 percent of operating expenses.

The Academy had total revenues of \$861,163, and total expenses of \$745,246. The change in net assets for the year was an increase of \$115,971.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

The Academy does not currently have any debt.

CURRENT ISSUES

The challenge for the Academy is to attract more students and provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. For the 2011-2012 school year, we were required to change locations. The building we were currently leasing space from is being torn down. Our goal to purchase a building was completed, but our challenge to have fiber, electricity, alarm and phone system are still in progress.

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, 522 West North Street, Lima, Ohio 45801.

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**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$1,014,229</u>
Total Assets	<u>1,014,229</u>

Net Assets:

Restricted - Other Purposes	7,289
Unrestricted	<u>1,006,940</u>
Total Net Assets	<u><u>\$1,014,229</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, 2011**

Operating Revenues:	
Foundation Payments	\$674,583
Contracted Services	11,911
Special Education	31,632
Other Operating Revenues	5,792
Total Operating Revenues	<u>723,918</u>
Operating Expenses:	
Salaries	441,984
Fringe Benefits	110,006
Purchased Services	69,871
Materials and Supplies	33,242
Capital Outlay	81,593
Other Operating Expenses	8,550
Total Operating Expenses	<u>745,246</u>
Operating (Loss)	(21,328)
Non-Operating Revenues:	
Operating Grants - Federal	127,664
Operating Grants - State	7,275
Interest	2,306
Total Non-Operating Revenues	<u>137,245</u>
Change in Net Assets	115,917
Net Assets at Beginning of Year	898,312
Net Assets at End of Year	<u><u>\$1,014,229</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, 2011**

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, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Basis of Accounting

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

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

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement 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), Federal IDEA B-Special Education, Title 1 – Special Education, Improving Teacher Quality II-A, State Fiscal Stabilization, Education Jobs, Race to the Top, ARRA IDEA and ARRA Title 1 and Education Technology II-D 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 \$134,939.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011, the Academy had \$7,289 of restricted net assets, none of which was restricted by enabling legislation.

3. ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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, 2011, the carrying amount of the Academy's deposits was \$1,014,229 and the bank balance was \$1,044,226. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*," as of June 30, 2011, \$783,604 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, 2011
(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, 2011, the Academy was insured through Auto Owners Insurance Company as follows:

Commercial 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, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Administrative Services	\$20,985
Instructional Support	9,554
Support Services Contracts	39,332
Total Purchased Services	<u>\$69,871</u>

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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. It is also posted on the SERS' Ohio website, www.ohsers.org, under Employee/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$8,082, \$7,592, and \$4,837 respectively; 100 percent 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, 2011
(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, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$48,561, \$42,645, and \$40,488, respectively; 100 percent has been contributed for all years. Contributions to the DC and Combined Plans for fiscal year 2011 were \$25,978 made by the Academy and \$18,556 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, 2011, no employees have elected to have Social Security withheld. The contribution is 6.2 percent of wages.

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, 2011
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$1,034.

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, 2011, 2010, and 2009 were \$979, \$273, and \$2,214, 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 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$520, \$451, and \$399, 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,735, \$3,280, and \$3,126, 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, 2011.

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

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



Dave Yost • Auditor of State

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

West Central Learning Academy II
Allen County
522 West North 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 fiscal year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 8, 2011, wherein we noted the Academy uses a comprehensive accounting basis 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all 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.

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 2011-01.

We did noted a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 8, 2011.

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 Directors, and the community school sponsor. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 8, 2011

WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-01

Noncompliance Citation

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

Ohio Adm. Code Section 117-2-03(B) requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles. However, the Academy prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Academy should prepare its financial statements according to generally accepted accounting principles to provide the users with a more meaningful financial presentation.

OFFICIALS RESPONSE:

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

**WEST CENTRAL LEARNING ACADEMY II
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2010-001	Ohio Rev. Code Section 117.38 Ohio Admin. Code 117-2-03(B) – did not prepare financial statements in accordance with generally accepted accounting principles (GAAP).	No	Repeated as Finding 2011-01



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Directors:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 8, 2011

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Dave Yost • 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
JANUARY 17, 2012**