

# West Park Academy Cuyahoga County, Ohio

## *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2014





# Dave Yost • Auditor of State

Board of Directors  
West Park Academy  
12913 Bennington Avenue  
Cleveland, OH 44135

We have reviewed the *Independent Auditor's Report* of the West Park Academy, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The West Park Academy is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

January 28, 2015

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**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	7
Notes to the Basic Financial Statements	10
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Accountant's Report on Applying Agreed Upon Procedures	21

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December 20, 2014

To the Board of Directors  
West Park Academy  
12913 Bennington Avenue  
Cleveland, OH 44135

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of West Park Academy, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, Ohio



**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

The discussion and analysis of the West Park Academy's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Due to the fact that this is the first year of operation; comparative information will not be available until next year.

**Financial Highlights**

- In total, net position increased \$44,142 for the first year of operations. This was due to total revenues exceeding total expenses.
- Total ending assets were \$277,227 for the first year of operations. This was due to an ending balance in cash and cash equivalents, as well as grants funding receivable, for 2014.
- Ending liabilities were \$233,085 for the first year of operations. This was due in large part to outstanding grants funding payable for 2014.

**Using this Financial Report**

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2014. This statement includes all assets, liabilities and net position, both financial and capital, and current and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or expended.

Table 1 provides a summary of the School's net position for fiscal year 2014. In future years, a comparison will be made to the previous year.

**Table 1  
Statement of Net Position**

<b>Assets</b>	<u>2014</u>
Current assets	<u>\$ 277,227</u>
<b>Liabilities</b>	
Current liabilities	<u>233,085</u>
<b>Net Position</b>	
Unrestricted	<u>44,142</u>
Total net position	<u><u>\$ 44,142</u></u>

Total ending assets were \$277,227. This was due to an ending balance in cash and cash equivalents, as well as grants funding receivable, for 2014. Ending liabilities were \$233,085. This was due in large part to outstanding grants funding payable for 2014. The School operates under a management agreement with STA West, LLC. Under the terms of the management agreement, STA West, LLC is paid 100 percent of the School's grant funding that is received (see notes to the financial statements, note 7).

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Statement of Revenues, Expenses, and Changes in Net Position**

Table 2 shows the changes in net position for fiscal year 2014, as well as a listing of revenues and expenses. In future years, a comparison will be made to the previous years.

**Table 2  
Change in Net Position**

<b>Operating revenue</b>	2014
State aid	\$ 3,005,154
<b>Non-operating revenues</b>	
Grants	385,612
Total revenues	3,390,766
<b>Operating expenses</b>	
Purchased services: management fees	2,855,432
Purchased services: grant programs	385,612
Sponsorship fees	88,758
Legal	6,009
Advertising	436
Auditing and accounting	7
Insurance	7,211
Board of education	3,000
Miscellaneous	159
Total expenses	3,346,624
<b>Change in net position</b>	\$ 44,142

Revenues received in 2014, the first full year of operations, were due to the School's State aid based on full-time equivalency (FTE) enrollment. The School's most significant expense was "Purchased services: management fees" paid pursuant to the management agreement in place between the School and STA West, LLC. The agreement provides that specific percentages of the revenues received by the School will be paid to STA West, LLC to fund operations. (See notes to the basic financial statements, note 7).

**Capital Assets**

At the end of fiscal year 2014, the School had no capital assets.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Current Financial Issues**

West Park Academy received revenue for 391 students in 2014. West Park Academy is different from many other schools as it provides education in a distance-learning environment to students in nearly every county in the State of Ohio. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries.

The School receives its support almost entirely from state aid. Per pupil revenue from state aid for the School averaged \$7,686 in fiscal year 2014. The School receives additional revenues from grant subsidies.

Although there is a possibility that State aid will be cut in future years due to the economic climate, the School feels that the relationship with the management company will insulate them from any significant change. The relationship brings stability to the School since specific percentages of revenues are payable to the management company (See notes to the basic financials statements, note 7).

**Contacting the School's Financial Management**

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Fiscal Officer for the West Park Academy, 3320 West Market Street, Suite 300, Fairlawn, Ohio 44333.

WEST PARK ACADEMY  
CUYAHOGA COUNTY

STATEMENT OF NET POSITION  
JUNE 30, 2014

**ASSETS**

Current assets

Cash and cash equivalents	\$ 56,538
Grants funding receivable	220,689

<b>Total assets</b>	<b>277,227</b>
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**LIABILITIES**

Current liabilities

Accounts payable	1,680
Continuing fees payable	10,716
Grants funding payable	220,689

<b>Total liabilities</b>	<b>233,085</b>
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**NET POSITION**

Unrestricted	44,142
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<b>Total net position</b>	<b>\$ 44,142</b>
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The accompanying notes to the financial statements are an integral part of this statement.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

**OPERATING REVENUE**

State aid	\$ 3,005,154
<b>Total operating revenue</b>	<u>3,005,154</u>

**OPERATING EXPENSES**

Purchased services: management fees	2,855,432
Purchased services: grant programs	385,612
Sponsorship fees	88,758
Board of education	3,000
Legal	6,009
Advertising	436
Insurance	7,211
Auditing and accounting	7
Miscellaneous	159
<b>Total operating expenses</b>	<u>3,346,624</u>
<b>Operating loss</b>	<u>(341,470)</u>

**NON-OPERATING REVENUES**

Grants	<u>385,612</u>
<b>Total non-operating revenues</b>	<u>385,612</u>
<b>Change in net position</b>	44,142
<b>Net position, July 1, 2013</b>	<u>-</u>
<b>Net position, June 30, 2014</b>	<u>\$ 44,142</u>

The accompanying notes to the financial statements are an integral part of this statement.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS USED FOR OPERATING ACTIVITIES**

Cash received from state aid	\$ 3,005,154
Cash payments to suppliers for goods and services	<u>(3,113,539)</u>
Net cash used for operating activities	<u>(108,385)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from grant programs	<u>164,923</u>
Net increase in cash and cash equivalents	56,538
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 56,538</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED FOR OPERATING ACTIVITIES**

Operating loss	<u>\$ (341,470)</u>
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Changes in assets and liabilities:	
Accounts payable	1,680
Grants funding payable	220,689
Continuing fees payable	<u>10,716</u>
Total adjustments	<u>233,085</u>
Net cash used for operating activities	<u><u>\$ (108,385)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

West Park Academy (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with STA West, LLC for most of its functions (see note 7).

The School signed a contract with Ohio Department of Education (Sponsor) to operate for a period from July 1, 2013 through June 30, 2018. The School operates under a self-appointing, five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by STA West, LLC. The facility is staffed with teaching personnel employed by STA West, LLC, who provide services to 349 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described on the following pages.

**A. BASIS OF PRESENTATION**

The School's financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the change in Net Position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. 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.



**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total Net Position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. BUDGETARY PROCESS**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2014. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

**D. CASH AND CASH EQUIVALENTS**

All cash received by the School is maintained in a demand deposit account.

**E. INTERGOVERNMENTAL REVENUES**

The School currently participates in the State Foundation Program and casino tax distributions, which are reflected under "State aid" on the Statement of Revenues, Expenses, and Changes in Net Position. Revenues received from these programs are recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2014 school year totaled \$3,390,766.

**F. CAPITAL ASSETS AND DEPRECIATION**

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

As of June 30, 2014, the School had no capital assets.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. USE OF ESTIMATES**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. NET POSITION**

Net Position represents the difference between assets and liabilities. All of the School's Net position is unrestricted.

**I. OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily state aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all School deposits was \$56,538. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, none of the School's bank balance of \$56,538 was exposed to custodial risk as discussed below, since all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank 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 School.

**B. Investments**

As of June 30, 2014, the School had no investments.

**4. GRANTS FUNDING RECEIVABLE/PAYABLE**

The School has recorded "Grants funding receivable" in the amount of \$220,689 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2014.

Additionally, under the terms of the management agreement (see note 7), the School has recorded a liability to STA West, LLC in the amount of \$220,689 for 100 percent of any State and Federal monies uncollected or unpaid to STA West, LLC as of June 30, 2014.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**5. CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2014, there were no capital assets.

**6. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with, STA West, LLC, STA West, LLC has contracted with an insurance company for property and general liability insurance pursuant to the management agreement (see note 7). There was no significant reduction in insurance coverage, and claims have not exceeded insurance coverage over the past year.

**Director and Officer** - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and a \$5,000 or \$10,000 deductible depending on the claim.

**7. AGREEMENT WITH STA WEST, LLC**

Effective July 1, 2013, the School entered into a management agreement (Agreement) with STA West, LLC, which is an educational consulting and management company. The term of the Agreement with STA West, LLC is for 5 years and will renew for additional, successive five (5) year terms unless one party notifies the other party on or before the January 1<sup>st</sup> prior to the expiration of the then-current term of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to STA West, LLC. STA West, LLC is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay STA West, LLC a monthly continuing fee of 95 percent of the School's "Qualified Gross Revenues", defined in the Agreement as, all revenues and income received by the School except for charitable contributions and STA West, LLC shall receive 100 percent of any and all grants or funding of any kind generated by STA West, LLC, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any. The continuing fee is paid to STA West, LLC based on the qualified gross revenues.

The School had management fees for the year ended June 30, 2014, to STA West, LLC, of \$3,241,044 of which \$231,405 was payable to STA West, LLC at June 30, 2014. STA West, LLC will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

**8. SPONSORSHIP FEES**

Included in the sponsor contract with the Sponsor, it states that the School will pay the Sponsor three percent (3 percent) of the total state funds received each year, in consideration for the time, organization, oversight, fees and costs of the Sponsor. Such fees are paid to the Sponsor monthly. As indicated on the Statement of Revenues, Expenses, and Changes in Net Position, the School incurred \$88,758 in sponsorship fees to the Sponsor.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**9. MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2014, STA West, LLC and its affiliates incurred the following expenses on behalf of the School:

	<b>2014</b>
<b>Expenses</b>	
<b>Direct Expenses:</b>	
Salaries and wages	\$ 1,029,958
Employees' benefits	333,679
Professional and technical services	890,685
Property services	351,785
Travel	3,752
Communications	8,853
Utilities	86,938
Transportation	141,260
Books, periodicals, and films	47,647
Food and related supplies	95,644
Other supplies	58,894
Depreciation	10,405
Other direct costs	70,567
<b>Indirect Expenses:</b>	
Overhead	360,541
<b>Total Expenses</b>	<b>\$ 3,490,608</b>

Overhead charges are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, marketing and communications.

**10. DEFINED BENEFIT PENSION PLANS**

The School has contracted with STA West, LLC to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below (see note 7).

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

Plan Description – STA West, LLC, on behalf of the School, contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits: annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and STA West, LLC, on behalf of the School, is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions to SERS for the year ended June 30, 2014 was \$28,919, which equaled the required contributions.

**B. STATE TEACHERS RETIREMENT SYSTEM**

Plan Description – STA West, LLC, on behalf of the School, 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](http://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 PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM (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, 2014, plan members were required to contribute 11 percent of their annual covered salaries. STA West, LLC, on behalf of the School, 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 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

STA West, LLC's required contributions on behalf of the School for pension obligations to STRS Ohio for the fiscal year ended June 30, 2014 was \$120,832; 100 percent has been contributed for fiscal year 2014. Contributions to the DC and Combined Plans for fiscal year 2014 were \$12,617 made by the School and \$9,914 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. The contribution rate is 6.2 percent of wages. As of June 30, 2014, there were no members that elected Social Security.

**11. POSTEMPLOYMENT BENEFITS**

**A. SCHOOL EMPLOYEE RETIREMENT SYSTEM**

Postemployment Benefits - In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76 percent. STA West, LLC's contributions on behalf of the School for the year ended June 30, 2014 was \$1,570, which equaled the required contributions each year.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

**A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (Continued)**

Health Care Plan- ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage.

SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. STA West, LLC's contributions on behalf of the School assigned to health care for the year ended June 30, 2014 was \$6,641.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. STATE TEACHERS RETIREMENT SYSTEM**

Plan Description – STA West, LLC's, on behalf of the School 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](http://www.strsoh.org) or by calling (888) 227-7877.

**WEST PARK ACADEMY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM (Continued)**

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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal year ended June 30, 2014 was \$8,631; 100 percent has been contributed for fiscal year 2014.

**12. CONTINGENCES**

**Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

**Enrollment FTE**

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2014 are immaterial, and will be included in the financial activity for fiscal year 2015.



December 20, 2014

To the Board of Directors  
West Park Academy  
12913 Bennington Avenue  
Cleveland, OH 44135

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Park Academy, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 20, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Medina, Ohio

December 20, 2014

To the Board of Directors  
West Park Academy  
12913 Bennington Avenue  
Cleveland, OH 44135

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

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 procedures enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the West Park Academy, Cuyahoga County, Ohio (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures 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 adopted an anti-harassment policy at its meeting on August 14, 2013.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
- (11) A statement to include violence within a dating relationship within its definition of harassment, intimidation or bullying.
- (12) A statement to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" of by an "electronic act".

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 Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

Medina, Ohio



# Dave Yost • Auditor of State

**WEST PARK ACADEMY**

**CUYAHOGA 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  
FEBRUARY 10, 2015**