



Dave Yost • Auditor of State

**WESTERN RESERVE KINDERGARTEN LEARNING ACADEMY
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Western Reserve Kindergarten Learning Academy
Mahoning County
13850 Akron-Canfield Road
Berlin Center, Ohio 44401

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Western Reserve Kindergarten Learning Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of Western Reserve Kindergarten Learning Academy, Mahoning County, Ohio, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

As described in Note 9, the Academy closed effective June 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, 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

February 13, 2014

Western Reserve Kindergarten Learning Academy
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Western Reserve Kindergarten Learning Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

In total, net assets were \$56,375 at June 30, 2012.

The Academy had operating revenues of \$148,606 and operating expenses of \$163,455 for fiscal year 2012. The Academy also received \$21,154 in federal and state grants and \$17 in interest income during fiscal year 2012.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, how did we do financially during 2012? The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 6 and 7 of this report.

The Statement of Cash Flows provides information about how the Academy finances and is meeting the cash flow needs of its operations. The Statement of Cash Flows can be found on page 8 of this report.

The table below provides a summary of the Academy's net assets for fiscal year 2012 as compared to 2011:

Western Reserve Kindergarten Learning Academy
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

	Net Assets		
	2012	2011	Change
Assets			
Current Assets	\$4,522	\$3,155	\$1,367
Capital Assets, Net	73,028	63,199	9,829
<i>Total Assets</i>	<u>77,550</u>	<u>66,354</u>	<u>11,196</u>
Liabilities			
Current Liabilities	21,175	16,301	4,874
Net Assets			
Invested in Capital Assets	73,028	63,199	9,829
Restricted	4,522	3,155	1,367
Unrestricted (Deficit)	(21,175)	(16,301)	(4,874)
<i>Total Net Assets</i>	<u>\$56,375</u>	<u>\$50,053</u>	<u>\$6,322</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Academy's net assets totaled \$56,375, an increase of \$6,322 from the prior fiscal year.

At year-end, capital assets represented 94 percent of total assets. The Academy purchased \$22,156 in capital assets during fiscal year 2012 consisting of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

The table below shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011:

	Change in Net Assets		
	2012	2011	Change
Operating Revenues			
State Foundation	\$147,914	\$122,965	\$24,949
Tuition and Fees	692	828	(136)
<i>Total Operating Revenues</i>	<u>148,606</u>	<u>123,793</u>	<u>24,813</u>
Operating Expenses			
Personal Services	30,186	36,082	(5,896)
Purchased Services	110,068	125,622	(15,554)
Materials and Supplies	2,709	105,529	(102,820)
Depreciation	12,327	8,041	4,286
Other	8,165	0	8,165
<i>Total Operating Expenses</i>	<u>163,455</u>	<u>275,274</u>	<u>(111,819)</u>
Non-Operating Revenues			
Federal and State Grants	21,154	176,535	(155,381)
Interest Income	17	32	(15)
<i>Total Non-Operating Revenues</i>	<u>21,171</u>	<u>176,567</u>	<u>(155,396)</u>
<i>Change in Net Assets</i>	<u>6,322</u>	<u>25,086</u>	<u>(18,764)</u>
Net Assets Beginning of Year	<u>50,053</u>	<u>24,967</u>	<u>25,086</u>
<i>Net Assets End of Year</i>	<u>\$56,375</u>	<u>\$50,053</u>	<u>\$6,322</u>

Western Reserve Kindergarten Learning Academy
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Capital Assets

At June 30, 2012, the Academy had \$73,028 invested in furniture, fixtures and equipment compared to \$63,199 at June 30, 2011, an increase of \$9,829. See Note 4 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Academy relies on the State Foundation Funds as well as State and Federal Sub-Grants to provide the monies necessary to operate the Western Reserve Kindergarten Learning Academy.

In conclusion, the Academy focuses on an innovative approach to meet the needs of young students, who in many instances have little or no exposure to formal education, by utilizing an all day, every day approach to kindergarten that allows for rapid accelerated learning depending on the student's assessed needs. The Academy is a public school that provides an alternative to the traditional educational setting and management will aggressively pursue adequate funding to secure the financial stability of the Academy.

Due to the 2012 fiscal year-end balance, the declining projected enrollment for the 2012-2013 school year and the lack of available federal and state grants, the Western Reserve Kindergarten Learning Academy permanently closed and ceased operation on June 30, 2012. Future kindergarten students will be enrolled in the Academy's Sponsor District, Western Reserve Local School District. The students will be in attendance all day, every day with the same staff and the same learning levels based on the student's assessed needs.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Cathy Romack, Treasurer, Western Reserve Local School District, 13850 Akron-Canfield Road, Berlin Center, Ohio 44401. The Treasurer may also be contacted by phone at 330-547-4100, extension 23203, or by email at cromack@wrls.k12.oh.us.

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Western Reserve Kindergarten Learning Academy

Mahoning County, Ohio

Statement of Net Assets

June 30, 2012

	<u>Kindergarten Learning Academy</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$0
Intergovernmental Receivable	4,522
<i>Non-Current Assets:</i>	
Depreciable Capital Assets, Net	73,028
<i>Total Assets</i>	<u>77,550</u>
<i>Current Liabilities:</i>	
Accounts Payable	21,175
<i>Total Liabilities</i>	<u>21,175</u>
Net Assets	
Invested in Capital Assets	73,028
Restricted for:	
Other Purposes	4,522
Unrestricted (Deficit)	(21,175)
<i>Total Net Assets</i>	<u>\$56,375</u>

See accompanying notes to the basic financial statements

Western Reserve Kindergarten Learning Academy

Mahoning County, Ohio

*Statement of Revenues,
Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012*

	<u>Kindergarten Learning Academy</u>
Operating Revenues	
Intergovernmental - State Foundation	\$147,914
Tuition and Fees	692
<i>Total Operating Revenues</i>	<u>148,606</u>
Operating Expenses	
Personal Services	30,186
Purchased Services	110,068
Materials and Supplies	2,709
Other Operating Expenses	8,165
Depreciation	12,327
<i>Total Operating Expenses</i>	<u>163,455</u>
<i>Operating Loss</i>	<u>(14,849)</u>
Non-Operating Revenues	
Intergovernmental - Federal & State Grants	21,154
Interest	17
<i>Total Non-Operating Revenues</i>	<u>21,171</u>
<i>Change in Net Assets</i>	6,322
<i>Net Assets Beginning of Year</i>	<u>50,053</u>
<i>Net Assets End of Year</i>	<u><u>\$56,375</u></u>

See accompanying notes to the basic financial statements

Western Reserve Kindergarten Learning Academy

Mahoning County, Ohio

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	<u>Kindergarten Learning Academy</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from State Foundation	\$143,392
Cash Received from Services Provided	692
Cash Payments for Personal Services	(27,770)
Cash Payments to Suppliers for Goods and Services	(110,068)
Cash Payments for Materials and Supplies	(2,709)
Cash Payments for Other Expenses	(5,707)
	<hr/>
<i>Net Cash Provided by (Used for) Operating Activities</i>	(2,170)
Cash Flows from Non-Capital Financing Activities	
Federal and State Grants	21,154
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(22,156)
Cash Flows from Investing Activities	
Interest Received	17
	<hr/>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(3,155)
<i>Cash and Cash Equivalents Beginning of Year</i>	3,155
	<hr/>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	(\$14,849)
<i>Adjustments:</i>	
Depreciation	12,327
<i>Changes in Assets and Liabilities:</i>	
Increase in Intergovernmental Receivable	(4,522)
Increase in Accounts Payable	4,874
	<hr/>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$2,170)</u>

See accompanying notes to the basic financial statements

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Western Reserve Kindergarten Learning Academy

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 1 - Description of the Kindergarten Learning Academy

The Western Reserve Kindergarten Learning Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The Academy focuses on an innovative approach to meet the needs of young students, who in many instances have little or no exposure to formal education, by utilizing an all day, every day approach to kindergarten that allows for rapid accelerated learning depending on the student's assessed needs. The Academy is a public school that provides an alternative to the traditional educational setting. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy is a legally separate, start-up community school, served by a Board of Directors. The three people Board of directors, appointed by the Western Reserve Local School District, consist of one Ellsworth Township Trustee, a School Improvement Consultant from the State Support Team, Region 5, and a licensed social worker who is also a member of the community.

The Western Reserve Local School District sponsored the Academy during fiscal year 2012. Based on the significant services provide by the District to the Academy, the Academy's purpose of service to the students within the District, and the relationship between the Governing Board of the District and the Board of Directors of the Academy, the Academy is a component unit of the District.

The Area Cooperative Computerized Educational Service System (ACCESS), under a purchased services basis with the Academy, provides internet, e-mail and other services to the Academy (Note 7). Personnel providing services to the Academy on behalf of the Western Reserve Local School District are considered employees of the District and the District shall be solely responsible for all payroll functions. The Academy provides services to approximately 51 students.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict or contradict GASB pronouncements. The Academy does not apply FASB Statements and Interpretations issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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.

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Western Reserve Kindergarten Learning Academy

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

B. Measurement Focus and Basis of Accounting

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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 Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires the Academy to submit a financial plan detailing an estimated Academy budget for each fiscal year of the contract, or five years, whichever is less.

D. Cash

Cash received by the Academy is maintained in a demand deposit account.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated using the straight-line method. Equipment is depreciated over a period ranging from five to ten years.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Western Reserve Kindergarten Learning Academy

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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 enrollment data to the State, upon which State Foundation funding is calculated.

H. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I. Tax Exemption Status

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy qualifying as an integral part of the Western Reserve Local School District.

Note 3 – Deposits and Investments

At June 30, 2012, the carrying amount of all Academy deposits was \$0. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, all of the Academy's bank balance of \$42,835 was covered by the Federal Deposit Insurance Corporation, meaning none was exposed to custodial risk, as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Academy'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 Academy.

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12
<i>Capital assets being depreciated:</i>				
Furniture, fixtures and equipment	\$80,444	\$22,156	\$0	\$102,600
<i>Less Accumulated depreciation:</i>				
Furniture, fixtures and equipment	(17,245)	(12,327)	0	(29,572)
Capital assets being depreciated, net	<u>\$63,199</u>	<u>\$9,829</u>	<u>\$0</u>	<u>\$73,028</u>

Western Reserve Kindergarten Learning Academy
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 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 contracted personnel; and natural disasters. For fiscal year 2012, professional liability is provided through the Ohio School Plan, under the Western Reserve Local School District's policy, with a \$4,000,000 annual aggregate/\$1,000,000 single occurrence limit and a \$2,500 deductible.

Note 6 – Purchased Services

For fiscal year ended June 30, 2012, purchased service expenses were as follows:

Professional and Technical Services	\$107,068
Other	<u>3,000</u>
Total	<u><u>\$110,068</u></u>

Note 7 – Service Agreement

Area Cooperative Computerized Educational Service System (ACCESS)

The Academy entered into a one-year agreement commencing on July 1, 2011 and ending June 30, 2012, with ACCESS for internet access, electronic mail and the Ohio Uniform School Accounting System (USAS). Separate and apart from this agreement, the Academy agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the Academy's facilities. Through its Sponsor, the Academy paid ACCESS a monthly service fee during fiscal year 2012.

Note 8 - Contingency – Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure 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. 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, 2012.

Note 9 – School Closure

Due to the 2012 fiscal year-end balance, the declining projected enrollment for the 2012-2013 school year and the lack of available federal and state grants, the Western Reserve Kindergarten Learning Academy permanently closed and ceased operation on June 30, 2012. Future kindergarten students will be enrolled in the Academy's Sponsor District, Western Reserve Local School District.

Capital assets were given to the Sponsor District and liabilities were liquidated.



Dave Yost • Auditor of State

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

Western Reserve Kindergarten Learning Academy
Mahoning County
13850 Akron-Canfield Road
Berlin Center, Ohio 44401

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of Western Reserve Kindergarten Learning Academy, Mahoning County, (the Academy) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 13, 2014, wherein we noted the Academy closed effective June 30, 2012.

Internal Control Over Financial Reporting

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 13, 2014

**WESTERN RESERVE KINDERGARTEN LEARNING ACADEMY
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2012-001

Noncompliance Citation

Ohio Rev. Code Section 3314.015(E) provides that the department of education shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

The guidance adopted by the Department of Education covers requirements of law, including aspects of federal and state funding requirements; actions taken and not taken by sponsors in the past; as well as relevant information which may be needed at some future point, after a school closes. When the school closes the following actions should be taken regarding capital assets:

Make disposition of the school's capital assets:

1. Offer real property acquired from a public school district to that school district's board first and at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
2. For Federal Title and other consolidated and competitive funds, follow Edgar liquidation procedures in 34 CFR 80.32 including disposition for items valued at \$5,000 or greater;
3. Current Public Charter School Program (PCSP) grant period assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP. If there are no takers, then an auction sale must be held to dispose of the assets along with the state funded assets.
 - a) Notify Office of Community Schools, then public media (print media, radio) of the date and location of any property disposition auction;
 - b) Follow EDGAR liquidation procedures in 34 CFR 80.32 for items valued at \$5,000 or greater;
 - c) Refund auction proceeds with correct federal and state program codes listed to the appropriate program with checks payable to, "Treasurer, State of Ohio"
 - d) Provide board resolutions and minutes of any transfer of assets with a dollar value of "0" to another school;
 - e) Provide OCS with a written report of the property (bill of sale);
 - f) Return to eTech (formerly Ohio SchoolNet) hardware and software to be redistributed per statutory requirements to other schools.
 - g) Remaining assets purchased from funds prior to the current USDOE award grant period may be offered to any public school district with documented board resolutions by the community school and accepting district.

FINDING 2012-001
(Continued)

There was no documentation or evidence provided that the Academy followed the school closing procedures as listed above when the Academy closed. The Academy disposed of all its assets but did not offer the assets to another charter school nor did the Academy have an auction to dispose of assets or sell assets. The Academy gave the sponsor district all of its remaining capital assets, two of which had a fair market value in excess of \$5,000 and no money was given to the Learning Academy in consideration for the assets. If this had been a single audit, we would have issued a questioned cost in the amount of \$10,398 (two Smart Tables with a fair market value of \$5,199 each) relating to the Public Charter School (PCSP) grant.

The School and/or Sponsor should contact ODE to rectify any outstanding items associated with the closing of the school.



Dave Yost • Auditor of State

WESTERN RESERVE KINDERGARTEN LEARNING ACADEMY

MAHONING 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
MARCH 25, 2014**