



Dave Yost · Auditor of State

**WEST CARROLLTON SECONDARY ACADEMY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

West Carrollton Secondary Academy
Montgomery County
430 East Pease Avenue
West Carrollton, Ohio 45449

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of West Carrollton Secondary Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

West Carrollton Secondary Academy

Montgomery County

Independent Auditor's Report

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Carrollton Secondary Academy, Montgomery County as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 5, 2016

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management's discussion and analysis of West Carrollton Secondary Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position was a deficit of \$22,427 at June 30, 2015.
- The Academy had operating revenues of \$546,414, operating expenses of \$603,015 and non-operating revenues of \$12,526 during fiscal year 2015. The total change in net position for the year was a decrease of \$44,075.

Using these Basic Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions to determine how well the Academy has performed financially through June 30, 2015. 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. This basis of accounting will take 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 position* and changes in that position. This change in net position tells the reader whether, 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 meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 9-14 of this report.

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The table that follows provides a summary of the Academy's net position at June 30, 2015 and June 30, 2014.

	Net Position	
	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets	\$ 8,648	\$ 31,410
Total assets	<u>8,648</u>	<u>31,410</u>
<u>Liabilities</u>		
Current liabilities	31,075	9,762
Total liabilities	<u>31,075</u>	<u>9,762</u>
<u>Net Position</u>		
Restricted	-	277
Unrestricted (deficit)	<u>(22,427)</u>	<u>21,371</u>
Total net position (deficit)	<u>\$ (22,427)</u>	<u>\$ 21,648</u>

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2015, the Academy's net position was a deficit of \$22,427.

Current assets represent cash.

Current liabilities represent accounts payable and intergovernmental payable. Intergovernmental payables represent amounts owed at June 30, 2015 to the West Carrollton City School District for services provided during fiscal years 2015 and to the Ohio Department of Education as a result of the fiscal year 2015 enrollment data and full-time equivalency review (See Note 8.C. in the notes to the basic financial statements for detail).

The statement of revenues, expenses, and changes in net position show the cost of operating expenses and the revenues offsetting those services. The table on the following page shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the year.

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**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2015 and 2014.

	<u>2015</u>	<u>2014</u>
<u>Operating Revenues:</u>		
State foundation	\$ 546,414	\$ 236,671
Total operating revenue	<u>546,414</u>	<u>236,671</u>
<u>Operating Expenses:</u>		
Purchased services	592,391	212,532
Materials and supplies	4,248	7,444
Other	<u>6,376</u>	<u>6,326</u>
Total operating expenses	<u>603,015</u>	<u>226,302</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	12,513	8,275
Interest income	<u>13</u>	<u>22</u>
Total non-operating revenues	<u>12,526</u>	<u>8,297</u>
Change in net position	(44,075)	18,666
Net position at beginning of year	<u>21,648</u>	<u>2,982</u>
Net position (deficit) at end of year	<u>\$ (22,427)</u>	<u>\$ 21,648</u>

The State foundation revenue and purchased services both increased over fiscal year 2014 due to increases in the number of full time equivalent students and the costs associated with educating those students.

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State Foundation program. Foundation payments were 97.76% and 96.61% of total operating and non-operating revenues during fiscal years 2015 and 2014, respectively.

The Academy's Federal and State grants consisted of the IDEA Part B grant and other unrestricted grants and entitlements from the State of Ohio. Purchased service expenditures included the cost of educational services, including personnel, provided by the Sponsor.

Capital Assets

At June 30, 2015 and June 30, 2014, the Academy did not have any capital assets.

Current Financial Related Activities

The Academy is sponsored by the West Carrollton City School District. The Academy is designed to assist students in an alternative route to a high school diploma. The Academy limits enrollment to students who have previously dropped out of high school or who are at risk of dropping out of high school. The Academy is reliant upon state foundation monies and federal grants to offer quality, educational services to students.

Contacting the North Central Academy's Financial Management

This financial report is designed to provide a general overview of the West Carrollton Secondary Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Ryan Slone, Treasurer, West Carrollton Secondary Academy, 430 E. Pease Ave., West Carrollton, Ohio 45449.

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:

Current assets:

Cash	\$ 8,648
Total assets.	<u>8,648</u>

Liabilities:

Current liabilities:

Accounts payable.	1,600
Intergovernmental payable	<u>29,475</u>
Total liabilities	<u>31,075</u>

Net position:

Unrestricted (deficit)	<u>(22,427)</u>
Total net position (deficit)	<u>\$ (22,427)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating revenues:

State foundation	\$ 546,414
Total operating revenues	<u>546,414</u>

Operating expenses:

Purchased services.	592,391
Materials and supplies	4,248
Other.	6,376
Total operating expenses.	<u>603,015</u>

Operating loss	(56,601)
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Non-operating revenues:

Grants and subsidies.	12,513
Interest revenue	13
Total nonoperating revenues	<u>12,526</u>

Change in net position	(44,075)
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Net position at beginning of year.	<u>21,648</u>
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Net position (deficit) at end of year	<u>\$ (22,427)</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:

Cash received from state foundation	\$ 574,625
Cash payments for contractual services	(578,671)
Cash payments for materials and supplies	(4,248)
Cash payments for other expenses	<u>(6,376)</u>
Net cash used in operating activities	<u>(14,670)</u>

Cash flows from noncapital financing activities:

Cash received from grants and subsidies	<u>12,513</u>
Net cash provided by noncapital financing activities	<u>12,513</u>

Cash flows from investing activities:

Interest received	<u>13</u>
Net cash provided by investing activities	<u>13</u>
Net decrease in cash and cash equivalents	<u>(2,144)</u>
Cash and cash equivalents at beginning of year	10,792
Cash and cash equivalents at end of year	<u>\$ 8,648</u>

**Reconciliation of operating loss to net
cash used in operating activities:**

Operating loss	\$ (56,601)
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	20,618
Increase in accounts payable	1,600
Increase in intergovernmental payable	<u>19,713</u>
Net cash used in operating activities	<u>\$ (14,670)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The West Carrollton Secondary Academy (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to address the needs of “at-risk” students aged 16-22 in grades 11-12 who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a Community School Sponsorship Contract (hereafter “Sponsorship Contract”) dated March 7, 2012 with the West Carrollton City School District (the “Sponsor”) for a period of five years commencing on July 1, 2012 and ending June 30, 2017. Pursuant to the Sponsor’s authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor’s treasurer to serve as the Academy’s fiscal officer. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school. The Academy operates in a facility that is provided and maintained by the Sponsor at no cost to the Academy. The Academy is considered a component unit of the West Carrollton City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61.

The Academy operates under the direction of a three-member Board of Directors appointed by the Sponsor. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards and admission standards.

The Academy has entered into an Agreement for the Provision of Services (hereafter “Service Agreement”) on May 15, 2013 with the West Carrollton City School District (the “District”). The term of the Service Agreement commences July 1, 2012 and ends June 30, 2017. The Service Agreement between the Academy and the District is further described in Note 9.

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's significant accounting policies are described below.

A. Basis of Presentation

The Academy’s basic 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 reporting focuses on the determination of the change in net position, financial position and cash flows.

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

Enterprise 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 position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

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 utilized for reporting purposes.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place. Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first 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.

Expenses are recognized at the time they are incurred.

D. 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 a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash

All monies received by the Academy are deposited into a demand deposit account. For internal accounting purposes, the School segregates its cash into various funds.

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$5,000. 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.

The Academy had no capital assets at June 30, 2015.

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy 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 position is available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education, the Federal IDEA Part B grant and other unrestricted grants-in-aid from the State of Ohio. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. State foundation revenue for the fiscal year 2015 was \$546,414.

Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 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. Grant revenue for the fiscal year 2015 was \$12,513.

J. Estimates

The preparation of basic 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.

K. Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2015. These expenses are reported as accrued liabilities in the accompanying financial statements.

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Academy.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2015, the carrying amount of the Academy's deposits was \$8,648. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, the Academy's entire bank balance of \$8,648 was covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5 - RECEIVABLES

At June 30, 2015, the Academy had no receivables.

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30, 2015, purchased services expenses were as follows:

Professional and technical services	\$ 591,642
Property services	<u>749</u>
Total	<u>\$ 592,391</u>

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 - 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 2015, the Academy was named as an additional insured party on the Sponsor's insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2014.

NOTE 8 - CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal, State and local 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 effect on the financial position of the Academy.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data 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. As a result of the fiscal year 2015 reviews, the Academy owes \$7,593 to the ODE and has reported this amount as an intergovernmental payable on the statement of net position.

NOTE 9 - SERVICE AGREEMENT

The Academy has entered into a Service Agreement with the West Carrollton City School (District). Under the Service Agreement, the District agrees to provide the Academy with certain supervisory/administrative, fiscal, and technical services sufficient to substantially implement, in cooperation with the Academy, the Academy's obligations pursuant to the Sponsorship Contract, including the following: (1) fiscal services; payroll services, EMIS services; and other agreed-upon by both parties, (2) facility services, including the provision and maintenance of the facilities in which the Academy is located, together with utility service, and insurance related to the same, (3) other nonteaching personnel services, as requested by the Academy and agreed to by the District, and (4) technology related services. In addition, the District shall provide the Academy with teaching staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the District (as the Academy's Sponsor).

**WEST CARROLLTON SECONDARY ACADEMY
(A COMPONENT UNIT OF WEST CARROLLTON CITY SCHOOL DISTRICT)
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 9 - SERVICE AGREEMENT - (Continued)

The price for services rendered by the Sponsor to the Academy is established by the Sponsorship Agreement. For the services rendered, the Academy shall pay the District all of the amounts received by the Academy from the State of Ohio for operating expenses, less the following amounts: (1) those amounts payable by the Academy to the District pursuant to the Sponsorship Contract or another agreement (e.g., for teaching and certain administrative services), (2) those amounts payable by the Academy to third-parties pursuant to contracts properly entered into between the Academy and such third-parties, if and as permitted by the Sponsorship Contract and with the consent of the District is required, and (3) that amount, if any, needed in order for the Academy to carryover from one fiscal year to the next a total cash balance of \$2,000. Such fees shall be paid by the Academy to the District according to a schedule agreed to by the parties, but not less than two times per fiscal year.

All services are to be provided on a purchased service basis. The Academy paid \$563,411 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2015.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association (MDECA)

The District is a participant in MDECA, which is a computer consortium of 34 public school districts within the boundaries of Darke, Greene, Miami and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents of member Districts, with six of the Superintendents elected by majority vote of all member Districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District pays MDECA an enrollment based fee for services provided during the year. Financial information is available from Dean A. Reineke, Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

NOTE 11 - FEDERAL TAX-EXEMPT STATUS

In accordance with the options granted under existing Ohio law and the Academy's relationship with the Sponsor, the School is considered a governmental entity not subject to tax and is not required to file for not-for-profit tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code.



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

West Carrollton Secondary Academy
Montgomery County
430 East Pease Avenue
West Carrollton, Ohio 45449

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 West Carrollton Secondary Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 5, 2016.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

West Carrollton Secondary Academy
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Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
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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

May 5, 2016



Dave Yost • Auditor of State

WEST CARROLLTON SECONDARY ACADEMY

MONTGOMERY 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MAY 24, 2016