



**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2010**



**Dave Yost • Auditor of State**



WESTSIDE ACADEMY  
FRANKLIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Westside Academy  
Franklin County  
4330 Clime Rd., North  
Columbus, Ohio 43228

To the Board of Directors:

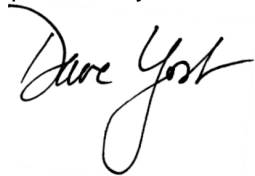
We have audited the accompanying basic financial statements of Westside Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westside Academy, Franklin County, Ohio, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Dave Yost**  
Auditor of State

May 18, 2011

**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

The discussion and analysis of the Westside Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2010. 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 financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets were \$65,498 at June 30, 2010.
- The Academy had operating revenues of \$814,498, operating expenses of \$1,364,459 and non-operating revenues of \$469,201 for fiscal year 2010.

**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's 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 2010?" The Statement of Net Assets and the 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. 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 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 8 and 9 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 10 of this report.

***Notes to the Basic Financial Statements***

The notes to the basic financial statements 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 11-21 of this report.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

The table below provides a summary of the Academy's assets, liabilities and net assets for fiscal years 2010 and 2009.

**Assets, Liabilities and Net Assets**

	2010	2009
<b><u>Assets</u></b>		
Current assets	\$ 98,593	\$ 94,405
Non-current assets, net	114,096	142,137
Total assets	212,689	236,542
<b><u>Liabilities</u></b>		
Current liabilities	147,191	90,284
Total liabilities	147,191	90,284
<b><u>Net Assets</u></b>		
Invested in capital assets	114,096	142,137
Restricted for federally funded programs	3,828	35,102
Unrestricted (deficit)	(52,426)	(30,981)
Total net assets	\$ 65,498	\$ 146,258

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's net assets were \$65,498.

At June 30, 2010, capital assets represented 53.64% of total assets. Capital assets consisted of leasehold improvements and furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending.

A portion of the Academy's net assets, \$3,828, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$52,426.



**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

The table below shows the changes in net assets for fiscal years 2010 and 2009.

**Change in Net Assets**

	<u>2010</u>	<u>2009</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 811,721	\$ 835,546
Charges for services	-	80
Other	<u>2,777</u>	<u>13,234</u>
Total operating revenue	<u>814,498</u>	<u>848,860</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	626,100	487,996
Fringe benefits	159,070	128,673
Purchased services	435,752	400,330
Materials and supplies	57,720	27,320
Depreciation	47,276	58,650
Other	<u>38,541</u>	<u>9,645</u>
Total operating expenses	<u>1,364,459</u>	<u>1,112,614</u>
<b><u>Non-operating Revenues:</u></b>		
Federal and State grants	469,200	375,245
Contributions and donations	-	500
Interest income	<u>1</u>	<u>2</u>
Total non-operating revenues	<u>469,201</u>	<u>375,747</u>
Change in net assets	(80,760)	111,993
Net assets at beginning of year	<u>146,258</u>	<u>34,265</u>
Net assets at end of year	<u>\$ 65,498</u>	<u>\$ 146,258</u>

Operating revenues decreased \$34,362, or 4.05%, primarily due to a decrease in State foundation revenue. The decrease in foundation funding occurred despite the Academy increasing enrollment by 6 students in fiscal year 2010 versus 2009. This decrease in operating revenue was offset by an increase in federal and state grant funding of \$93,955, or 25.04%. The District received additional funding from these sources in fiscal year 2010 and will continue to look for additional funding in the future.

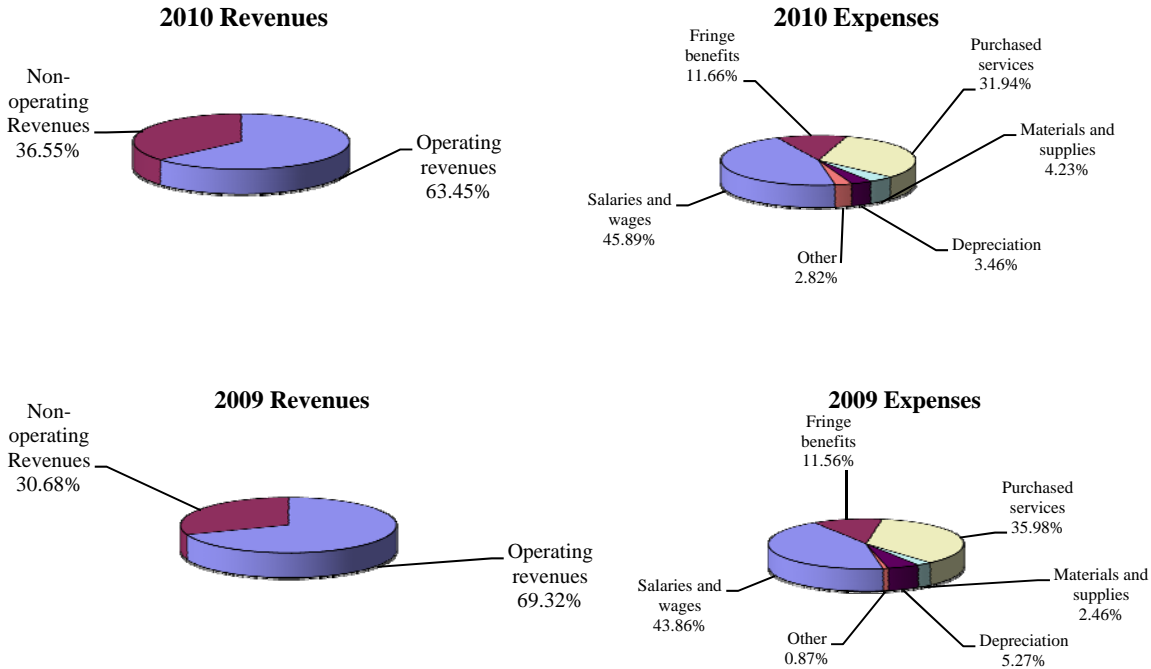
Operating expenses increased \$251,845, or 22.64%, in fiscal year 2010 versus 2009. The primary increase was in the area of salaries, wages and fringe benefits which collectively increased \$168,501, or 27.32%. The Academy had 10 full time non-certified staff members and 11 certified full time teaching personnel in 2010 compared to 4.5 full time non-certified staff members and 10.5 certified full time teaching personnel in 2009. This increase in personnel accounted for the increase in salaries, wages and fringe benefits expenses.

Under purchased services, the primary areas on increase from fiscal year 2009 to 2010 were in the areas of property services and contracted services. Property services increased \$22,317, or 11.54%, and contracted services increased \$8,370, or 11.49%. Property services include rental payments and certain repairs to building structure.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

The charts below illustrate the revenues and expenses for the Academy during fiscal years 2010 and 2009.



**Capital Assets**

At the end of fiscal year 2010, the Academy had \$114,096 in capital assets, net of depreciation, consisting of leasehold improvements and furniture and equipment. The following table shows fiscal year 2009 balances compared to fiscal year 2009:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 145,996	\$ 126,761
Leasehold improvements	100,000	100,000
Less: accumulated depreciation	<u>(131,900)</u>	<u>(84,624)</u>
Total	<u>\$ 114,096</u>	<u>\$ 142,137</u>

The overall decrease in capital assets of \$28,041 is due to the addition of furniture and equipment of \$19,235 and the depreciation expense of \$47,276.

See Note 5 to the basic financial statements for more detail on capital assets.

**Debt Administration**

The Academy had no debt obligations outstanding at June 30, 2010.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Current Financial Related Activities**

The Academy is sponsored by the Buckeye Hope Community Foundation. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

**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 questions about this report or need additional financial information contact Barbara Henry, Treasurer, Westside Academy, 4330 Clime Road North, Columbus, Ohio 43229.

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WESTSIDE ACADEMY  
FRANKLIN COUNTY

STATEMENT OF NET ASSETS  
JUNE 30, 2010

**Assets**

**Current Assets**

Cash	\$	64,237
Receivable - Intergovernmental		32,885
Prepayments		1,471
Total Current Assets		<u>98,593</u>

**Non-Current Assets**

Capital Assets, Net		<u>114,096</u>
Total Assets	\$	<u>212,689</u>

**Liabilities and Fund Equity**

**Liabilities:**

Accounts Payable	\$	40,040
Accrued Wages and Benefits		79,129
Pension Obligation Payable		22,130
Intergovernmental Payable		5,892
Total Liabilities		<u>147,191</u>

**Net Assets:**

Invested in Capital Assets		114,096
Restricted for Federally Funded Programs		3,828
Unrestricted (deficit)		(52,426)
Total Net Assets	\$	<u>65,498</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Operating Revenues</b>	
State Foundation	\$ 811,721
Other	<u>2,777</u>
Total Operating Revenues	<u>814,498</u>
<b>Operating Expenses</b>	
Salaries and wages	626,100
Fringe benefits	159,070
Purchased services	435,752
Materials and supplies	57,720
Depreciation	47,276
Other	<u>38,541</u>
Total Operating Expenses	<u>1,364,459</u>
Operating Loss	(549,961)
<b>Non-Operating Revenues</b>	
Federal and State Grants	469,200
Interest Income	<u>1</u>
Total Non-Operating Revenues	<u>469,201</u>
Change in Net Assets	(80,760)
<b>Net Assets at Beginning of Year</b>	<u>146,258</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 65,498</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSIDE ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Cash flows from operating activities:**

Cash received from state foundation	\$	813,967
Cash received from other operations		2,777
Cash payments for personal services		(743,651)
Cash payments for contractual services		(427,050)
Cash payments for materials and supplies		(42,625)
Cash payments for other expenses		(45,895)
Net Cash Used for Operating Activities		(442,477)

**Cash Flows from Noncapital Financing Activities:**

Federal and State grants		493,945
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**Cash Flows from Capital and Related Financing Activities:**

Acquisition of capital assets		(19,235)
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**Cash Flows from Investing Activities:**

Interest received		1
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Net increase in Cash and Cash Equivalents		32,234
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Cash and Cash Equivalents at Beginning of Year		32,003
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Cash and Cash Equivalents at End of Year		\$ 64,237
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**Reconciliation of Operating Loss to Net Cash  
Used for Operating Activities:**

Operating loss	\$	(549,961)
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Adjustments:

Depreciation		47,276
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Changes in Assets and Liabilities:

Decrease in prepayments		3,301
Increase in accounts payable		16,132
Increase in accrued wages and benefits		17,690
Increase in intergovernmental payable		955
Increase in pension obligation payable		22,130
		22,130

Net Cash Used for Operating Activities	\$	(442,477)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Westside Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy is to provide a high quality education, global consciousness and a competency-based education program from kindergarten to eighth grade. The Academy strives to meet the needs of a growing diverse population in Central Ohio, including the population that is considered Limited English Proficiency (LEP) and may come with an interrupted educational background. The Academy, which is part of the State's education program, 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 under contract with the Buckeye Community Hope Foundation (the "Sponsor") for a period of three years commencing December 20, 2005. This contract was extended another five years commencing July 1, 2009 (see Note 13). The Academy began operations on September 30, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy is located in Columbus, Ohio, Franklin County. The Academy ranks as the 807<sup>th</sup> largest in terms of enrollment (among 905 public school districts and community schools) in the State of Ohio. The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Academy is staffed by 10 full time non-certified staff members and 11 certified full time teaching personnel who provide services to 127 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) guidance issued prior to November 30, 1989, provided those pronouncements does not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. 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 Assets, a Statement of Revenues, Expenses, and Changes in Net assets, and a Statement of Cash Flows.

The Academy uses a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**B. Measurement Focus**

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The Statement of Cash Flows reflects how the Academy finances meet its cash flow needs.

**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. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its sponsor. However, pursuant to the sponsorship agreement, on or before June 30 each year, a revised school budget shall be submitted to the Sponsor. The budget must detail estimated revenues and expenses. Revenues include the base formula amount that will be used for the purposes of funding calculations under section 3314.08 of the ORC. All projected and actual revenue sources must be included in the budget and projected expenses must include the total estimated per pupil expenditure amount for each year.

**E. Cash**

Cash received by the Academy is reflected as "Cash" on the statement of net assets. The Academy did not have any investments during 2010.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Leasehold improvements are capitalized. 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 does not capitalize interest.

All capital assets are depreciated. Leasehold improvements are depreciated over the remaining useful lives of the related capital assets, currently five years. Land improvements are depreciated over ten years. Furniture and equipment is depreciated over five years. Depreciation is computed using the straight-line method.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**G. Prepaid Items**

A prepaid item is an asset that occurs when a vendor is paid for services that will benefit a future accounting period. When items meet these criteria, they are reported as assets on the statement of net assets using the consumption method. Under the consumption method, a current asset for the prepaid amount is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had \$1,471 in prepaid assets as of June 30, 2010.

**H. Intergovernmental Revenue**

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenue from this program was recognized as operating revenue in the accounting period in which all eligibility requirements had been met.

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.

**I. 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 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.

**J. Operating Revenues and Expenses**

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.

**K. 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.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

**Change in Accounting Principles**

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the Academy's deposits was \$64,237 and the bank balance was \$102,837. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
Furniture and equipment	\$ 126,761	\$ 19,235	\$ -	\$ 145,996
Leasehold improvements	100,000	-	-	100,000
Less: accumulated depreciation	<u>(84,624)</u>	<u>(47,276)</u>	<u>-</u>	<u>(131,900)</u>
Capital assets, net	<u>\$ 142,137</u>	<u>\$ (28,041)</u>	<u>\$ -</u>	<u>\$ 114,096</u>

**NOTE 6 - BUILDING LEASE**

The Academy operations are located in space leased from the Unified Investment Corporation. Lease payments for fiscal year 2010 were \$161,004. The lease expires on June 30, 2011. See Note 15 for the related party transaction.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of intergovernmental (e.g. state and federal grants) receivables. All intergovernmental receivables are considered collectible in full. Below is a summary of receivables due to the Academy:

IDEA Part-B	\$13,555
Stimulus Title II-D	645
Limited english proficiency	4,540
Title I	10,887
Improving teacher quality	<u>3,258</u>
Total	<u>\$32,885</u>

**NOTE 8 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 8 - PENSION PLANS - (Continued)**

**A. State Teachers Retirement System of Ohio**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$19,728, \$10,062 and \$11,545, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](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.

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.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 8 - PENSION PLANS - (Continued)**

**A. State Teachers Retirement System of Ohio - (Continued)**

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$59,656, \$47,536 and \$36,890, respectively; 84.50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$11,311 made by the Academy and \$8,080 made by the plan members.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. 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.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

**A. School Employees Retirement System - (Continued)**

Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,632, \$6,527 and \$5,268, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,173 \$830 and \$832, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,589, \$3,657 and \$2,838, respectively; 84.50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.



**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with Wells Fargo Insurances Services for property and general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate. Settled claims have not exceeded commercial coverage in the past three fiscal years. There was no significant reduction in coverage from the prior fiscal year.

**B. Workers' Compensation**

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the State. The Academy owed \$590 for this premium on January through June 2010 wages and accrued wages. The liability is reflected in the financial statements at June 30, 2010.

**NOTE 11 - EMPLOYEE BENEFITS**

The Academy provides health, drug, and dental insurance for all eligible employees through Anthem Blue Cross Blue Shield. The risk of loss to the Academy transfers to the insurance carrier upon payment of the premiums. The Academy pays a portion of the monthly premium based on the coverage chosen. An employee who works a minimum of 30 hours per week will receive 85%-80%-75%, for coverage of employee-only, employee-spouse/children or family coverage, respectively. An employee who works between 20 to 29 hours per week will be offered 75% prorated benefits. The Academy provides life insurance and accidental death and dismemberment insurance to employees through Anthem Blue Cross and Blue Shield.

**NOTE 12 - PURCHASED SERVICES**

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

Professional and Technical Services	\$ 53,467
Property Services	215,732
Communications	5,516
Utility Services	17,944
Contracted Services	81,218
Other Purchased Services	<u>61,875</u>
Total	<u>\$ 435,752</u>

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 13 - CONTRACTS**

**Sponsor Contract**

For fiscal year 2010, the Academy was under a sponsor contract with Buckeye Community Hope Foundation (the "Sponsor"). This contract was renewed for an additional five years commencing on July 1, 2009 and continuing through June 30, 2014. Under the contract, the Sponsor agreed to provide oversight and guidance to the Academy including, but not limited to, the following:

- Monitoring the Academy's compliance with applicable laws and terms of the Sponsorship contract.
- Monitoring and evaluating the academic and fiscal performance and the organization and operation of the Academy.
- Reporting annually the results of its evaluation to the Ohio Department of Education and to parents of students enrolled in the Academy.
- Providing technical assistance to the Academy in complying with applicable laws and the Sponsorship contract.
- Intervening as the Sponsor deems necessary in the Academy's operation to correct problems with overall performance. The Sponsor may, at its sole discretion, require a plan of action from the Academy to cure any issues or violations.
- Preparing and assisting with contingency plans in the event the Academy experiences difficulties or closes before the end of the school year.

**NOTE 14 - CONTINGENCIES**

**A. 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, 2010.

**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.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 14 – CONTINGENCIES (Continued)**

**C. Ohio Department of Education Enrollment Review**

The Ohio Department of Education 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. The Ohio Department of Education's review of fiscal year 2010 is complete. The audit showed difference of \$2,246 which will be paid with a one-time reduction in foundation funding in fiscal year 2011. This amount has been recorded as a component of "intergovernmental payable" at June 30, 2010.

**NOTE 15 - RELATED PARTY TRANSACTION**

On March 1, 2006, the Academy entered into a lease agreement with Unified Investment Corp., a related party of the Academy, for the purposes of leasing the premises used to provide services by the Academy. The original lease agreement was amended on April 30, 2008 with a revised rental payment schedule and renewal option stating as a five percent increase for every year after the initial lease term. The following is a summary of the agreed-upon monthly rental amounts to be paid by the Academy as part of the agreement:

<u>Period</u>	<u>Monthly Rent</u>
July 1, 2009 through June 30, 2010	\$ 13,417
July 1, 2010 through June 30, 2011	\$ 14,088

During fiscal year 2010, the Academy paid a total of \$206,774 to Unified Investment Corp. Of this total, \$161,004 represented rental payments while the additional \$45,770 represented payments for utilities, ground maintenance, property taxes, security, and certain building repairs.

Dr. Mouhamed Tarazi is a prior President of, and currently holds an investment interest in, Unified Investment Corp. Dr. Tarazi is the Director of International Academy of Columbus, which is governed by the same Board as governs Westside Academy. Additionally, although not an actual employee or official of Westside Academy, Dr. Tarazi was an integral part of the Westside Academy's start up in fiscal year 2006, at the time of the initial agreement.

**WESTSIDE ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**NOTE 16 – MANAGEMENT PLAN**

Westside Academy began operation as a community school in August 2006 as a start up school and anticipated funding from a Federal Government Grant of \$450,000 and a State start up grant of \$50,000. The federal grant was received over two years of operation. The State grant was not released by the Ohio Department of Education due to monies being received from the federal government grant before the State grant was released. The Academy maintained operations which resulted in a deficit. Therefore, the following changes were made beginning in fiscal year 2008 and continuing in fiscal year 2010:

1. Increase student enrollment to 200 students and maintain that level  
In fiscal year 2010, the Academy fell short of its goal to reach 200 students; however, the Academy did increase enrollment to 127 students in fiscal year 2010 compared to 121 students in fiscal year 2009. The Academy continues to strive to reach the goal of 200 students to sustain operations.
2. Eliminate or reduce staff positions to reduce cost  
The Academy continues to look for possible reductions in positions while maintaining student needs.
3. Reduce operational cost, including having the Academy's rent lowered  
The Academy continues to look at ways to reduce operational costs.
4. Obtain additional funding  
The Academy was awarded the 21st Century grant in July 2008 through June 2013. Additionally, the State of Ohio has provided additional funding that allows the Academy to maintain operations as much as possible. The Academy continues to seek other sources of funding.

The Academy believes these efforts will allow the Academy to sustain operations in the future years.



# Dave Yost • Auditor of State

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

Westside Academy  
Franklin County  
4330 Clime Road, North  
Columbus, Ohio 43228

To the Board of Directors:

We have audited the basic financial statements of the Westside Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2010, and have issued our report thereon dated May 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Westside Academy  
Franklin County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 18, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

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

May 18, 2011

WESTSIDE ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDING  
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Financial Reporting	No	Partially Corrected. Re-issued as Management Letter Comment

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# Dave Yost • Auditor of State

**WESTSIDE ACADEMY**

**FRANKLIN 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  
JUNE 23, 2011**