ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants

Dave Yost • Auditor of State

Board of Trustees
Arts and College Preparatory Academy
4401 Hilton Corporate Drive
Columbus, Ohio 43232

We have reviewed the *Independent Auditors' Report* of the Arts and College Preparatory Academy, Franklin County, prepared by Wolf, Rogers, Dickey & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

April 4, 2013

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Arts and College Preparatory Academy
Franklin County, Ohio

For the Year Ended
June 30, 2012

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Independent Auditors' Report

Arts and College Preparatory Academy
Franklin County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of the Arts and College Preparatory Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2012, 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 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 that our audit provides a reasonable basis of our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Arts and College Preparatory Academy, Franklin County, Ohio as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2012 the Academy adopted Governmental Accounting Standards Board Statements No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53.*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012, 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* and should be read in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Academy's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However, these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

December 26, 2012

The management's discussion and analysis of the Arts and College Preparatory Academy's (the Academy's) financial performance provides an overall review of the Academy's financial activities for the fiscal year ending 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 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 fiscal year 2012 are as follows:

- In total, net assets decreased $25,374 from fiscal year 2011.
- The Academy had operating revenues of $1,622,398 and operating expenses of $2,155,979 during fiscal year 2012. During the year the Academy also had non-operating revenues of $582,079 and non-operating expenses of $73,872.

Using the 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. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Report Components

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 the Academy do financially during 2012?" 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 7 and 8 of this report. The statement of cash flows can be found on page 9.

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 10-20 of this report.

The table on the next page provides a summary of the Academy's net assets at June 30, 2012 and June 30, 2011.

Reporting the Academy as a Whole

Net Assets

	2012	2011
Assets		
Current assets	$ 816,490	905,656
Capital assets, net	2,166,436	2,146,937
Total assets	2,982,926	3,052,593
Liabilities		
Current liabilities	299,639	262,918
Long-term liabilities	1,574,300	1,655,314
Total liabilities	1,873,939	1,918,232
Net Assets		
Invested in capital assets, net of related debt	592,136	491,623
Restricted	219,771	212,390
Unrestricted	297,080	430,348
Total net assets	$1,108,987	1,134,361

Assets

Over time, net assets can serve as a useful indicator of the Academy's financial position. At June 30, 2012, the Academy's assets exceeded liabilities by $1,108,987, a decrease of $25,374 from fiscal year 2011. Of this total, $297,080 is unrestricted.

At year-end, capital assets represented 72.63 percent of total assets, compared to 70.34 percent in fiscal year 2011. Capital assets at June 30, 2012, consisted of land, buildings and improvements, furniture, fixtures and equipment, and leasehold improvements. Capital assets are used to provide services to the students and are not available for future spending.

Liabilities

Current liabilities increased by $36,721 from fiscal year 2011 to 2012, which is primarily due to increased accrued wages and benefits and accounts payable. The increase in accounts payable consisted primarily of capitalized equipment purchased on account at the end of the fiscal year.

The Academy reported long-term liabilities in the amount of $1,574,300 for a loan that was issued to finance the purchase and renovation a new Academy building which was completed in fiscal year 2011.

Reporting the Academy as a Whole, continued

The table below reflects the changes in net assets on a cash basis in fiscal 2012 and 2011 for the Academy.

Change in Net Assets

	2012	2011
Operating Revenues:		
State foundation	$ 1,418,203	1,363,345
Special education weighted funding	30,294	109,432
Tuition and fees	2,959	32,835
Charges for services	3,460	4,649
Rental income	136,574	130,373
Services provided to other entities	-	105,281
Other revenues	30,908	18,369
Total operating revenue	1,622,398	1,764,284
Operating Expenses:		
Salaries and wages	1,068,442	1,082,988
Fringe benefits	295,073	326,620
Purchased services	528,495	570,303
Materials and supplies	115,113	128,017
Other	80,963	95,341
Depreciation	67,893	50,290
Total operating expenses	2,155,979	2,253,559
Non-operating revenues (expenses):		
Federal, state and local grants	581,797	794,728
Interest income	282	360
Interest expense	(73,872)	(100,629)
Total non-operating revenues (expenses)	508,207	694,459
Change in net assets	(25,374)	205,184
Net assets at the beginning of the year	1,134,361	929,177
Net assets at the end of the year	$1,108,987	1,134,361

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and from federal entitlement programs. The Academy received higher state foundation revenues during fiscal year 2012, while special education weighted funding and non-operating federal, state and local grants fell during the year. Federal, state, and local grant revenue fell due to lower revenues associated with the American Recovery and Reinvestment Act (ARRA), Education Jobs and Race to the Top programs. Additionally, the Academy recognized no revenue associated with services provided to other entities as it had in the prior year.

Capital Assets and Debt Administration

At June 30, 2012, the Academy had $2,166,436, net of accumulated depreciation, invested in land, building improvements, leasehold improvements and furniture, fixtures and equipment. Refer to Note 6 in the notes to the basic financial statements for more detail on capital assets.

Capital Assets and Debt Administration, continued

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	$ 419,619	419,619
Buildings and improvements	1,631,018	1,673,382
Furniture, fixtures and equipment	99,490	34,326
Leasehold improvements	16,309	19,610
Total capital assets	$ 2,166,436	2,146,937

Debt Administration

The Academy entered into a loan agreement in fiscal 2011 to borrow $1,686,000 to finance the purchase and renovation of real property. At June 30, 2012, the balance of the loan is $1,574,300 and is reported as a long-term liability on the statement of net assets. Of this balance, $46,116 is due within one year. See Note 8 to the basic financial statements for detail on the loan.

Current Financial Related Activities

The Academy is sponsored by St. Aloysius. The Academy relies primarily on the state foundation funds and federal and state operating grants.

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 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 citizens, investors 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 Mr. Dan Lamb, Treasurer, 4401 Hilton Corporate Drive, Columbus, Ohio 43232.

Arts and College Preparatory Academy
Franklin County, Ohio
Statement of Net Assets
June 30, 2012

Assets	
Current assets:	
Cash and cash equivalents	$ 594,529
Receivables:	
Intergovernmental	216,354
Accounts	1,342
Prepayments	4,265
Total current assets	816,490
Non-current assets:	
Land	419,619
Depreciable capital assets, net	1,746,817
Total non-current assets	2,166,436
	$ 2,982,926
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	$ 93,326
Accrued wages and benefits	160,546
Pension obligation payable	22,221
Intergovernmental payable	23,546
Total current liabilities	299,639
Non-current liabilities:	
Due within one year	46,116
Due in more than one year	1,528,184
Total non-current liabilities	1,574,300
Total liabilities	1,873,939
Net assets:	
Invested in capital assets, net of related debt	592,136
Restricted:	
State funded programs	11,550
Federally funded programs	83,687
Capital projects	57,523
Other purposes	67,011
Unrestricted	297,080
Total net assets	$ 1,108,987

See accompanying notes to the basic financial statements

Arts and College Preparatory Academy
Franklin County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Operating revenues:	
State foundation	$ 1,418,203
Special education weighted funding	30,294
Tuition and fees	2,959
Charges for services	3,460
Rental income	136,574
Other revenues	30,908
Total operating revenues	1,622,398
Operating expenses:	
Salaries and wages	1,068,442
Fringe benefits	295,073
Purchased services	528,495
Materials and supplies	115,113
Other operating expenses	80,963
Depreciation	67,893
Total operating expenses	2,155,979
Operating loss	(533,581)
Non-operating revenues (expenses):	
Federal, state, and local grants	581,797
Interest income	282
Interest expense	(73,872)
Total non-operating revenues	508,207
Change in net assets	(25,374)
Net assets beginning of year	1,134,361
Net assets end of year	$ 1,108,987

See accompanying notes to the basic financial statements.

Arts and College Preparatory Academy
Franklin County, Ohio
Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received:	
State foundation	$ 1,415,307
Special education weighted funding	30,294
Tuition and fees	2,959
Charges for services	3,460
Rental income	136,574
Other operations	30,908
Cash payments:	
Salaries and wages	(1,062,341)
Fringe benefits	(316,438)
Contractual services	(571,019)
Materials and supplies	(107,611)
Other expenses	(79,241)
Net cash used in operating activities	(517,148)
Net cash provided by non-capital financing activities -	
Cash received from federal, state and local grants	578,484
Cash flows from capital and related financing activities:	
Principal payments on loan	(81,014)
Interest expense	(73,872)
Acquisition of capital assets	(16,922)
Net cash used in capital and related financing activities	(171,808)
Net cash provided by investing activities -	
Interest received	282
Net decrease in cash and cash equivalents	(110,190)
Cash and cash equivalents at beginning of year	704,719
Cash and cash equivalents at end of year	$ 594,529

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (533,581)
Adjustments -	
Depreciation	67,893
Changes in assets and liabilities:	
(Increase) in accounts receivable	(1,342)
(Increase) in intergovernmental receivable	(18,169)
Decrease in prepayments	1,800
Decrease in accounts payable	(35,090)
Increase in accrued wages and benefits	57
Decrease in intergovernmental payable	(1,197)
Increase in pension obligation payable	2,481
Net cash used in operating activities	$ (517,148)

Non-cash transactions:
During fiscal year 2012, the Academy purchased $70,470 in capital assets on account.

See accompanying notes to the basic financial statements.

(1) Description of the Academy

The Arts and College Preparatory Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. Management is not aware of any course of action or series of events which could adversely affect the Academy's tax-exempt status. The Academy is a general population high school. One of the Academy's missions is to provide students with academic and art knowledge and skills necessary for them to be successful in any post-secondary educational opportunities they choose. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission 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 operates pursuant to a sponsorship agreement with St. Aloysius (the Sponsor) for a period of five years expiring on June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Board of Trustees. The Board of Trustees 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 qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 5 non-certified and 24 certified full time teaching personnel, who provide services to 237 students.

(2) Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989.

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. 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, including depreciation) 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 net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

The accounting and financial reporting treatment is determined by its 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 statements of net assets. Net assets are segregated into investments in capital assets and unrestricted components.

(2) Summary of Significant Accounting Policies, continued

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process

Community schools must adopt a spending plan under Ohio Revised Code, Section 5705.391 requires annual appropriations and annual revenue estimates. The contract between the Academy and its sponsor requires the Academy to comply with the financial plan that details an estimated budget for each year of the contract. The Academy is compliant.

Cash and Investments

To improve cash management, all cash received by the Academy is pooled in a central bank account. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with the original maturity of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

The Academy had no investments during fiscal year 2012.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,500. 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	40 years
Furniture, fixtures and equipment	3 - 5 years
Leasehold improvements	15 years

(2) Summary of Significant Accounting Policies, continued

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. 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.

Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, State and Federal Food Reimbursement grants, EMIS, Title VI-B, Title VI-B ARRA, Title II-D, Title I, Title I ARRA, Title IV-A, Improving Teacher Quality, Learn & Serve, Education Jobs, and Race to the Top. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. 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 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. Federal, state and local grant revenue for fiscal year 2012 was $581,797.

Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2012. These expenses are reported as accrued liabilities in the accompanying financial statements.

Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net assets. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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.

Economic Dependency

The Academy receives approximately 98% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

(2) Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Academy's significant financial instruments are cash, accounts receivable, accounts payable and debt. For these financial instruments, carrying values approximate fair value due to their short-term nature. The debt approximates the fair value due to the Academy's ability to obtain similar financing with similar terms.

(3) Change in Accounting Principle

For fiscal year 2012, the Academy has implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53.*

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

(4) Prior Period Adjustments

The beginning balance of net assets has been restated to reflect the effect of two prior period adjustments. The first adjustment is to reflect the effect of an unrecorded accounts payable in the amount of $40,450 that was previously omitted by the Academy at June 30, 2011. The second adjustment is related to the June 2011 health insurance premium being recorded as a prepaid expense and the July and August 2011 health insurance premiums not being accrued as a liability as required by Auditor of State Bulletin 1995-016. The total effect of this adjustment was $33,013. The prior period adjustments to reverse the prepaid expense and include the liabilities had the following effect on net assets as previously reported:

Net assets at June 30, 2011, as previously reported	$ 1,207,824
Adjustment to reverse prepaid expense	(10,265)
Adjustment to accrued liabilities	(63,198)
Net assets as June 30, 2011, as restated	$ 1,134,361

(5) Deposits and Investments

Deposits

At June 30, 2012, the carrying amount of all Academy deposits was $594,529. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2012, $373,025 of the Academy's bank balance of $623,025 was exposed to custodial risk as discussed below, while $250,000 was covered by the Federal Deposit Insurance Corporation (the FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy has no security on its deposits beyond FDIC coverage.

(6) Receivables

Receivables at June 30, 2012, consisted of intergovernmental receivables arising from grants and entitlements receivable. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	Amount
SERS refund	$ 19,772
Title VI-B	23,395
Title I	25,049
Title I ARRA	675
Title II-D	731
21st Century	136,431
Education jobs	811
Race to the Top	9,490
Total intergovernmental receivables	$ 216,354

(7) Capital Assets

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

	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
Capital assets, not being depreciated:				
Land	$ 419,619	-	-	419,619
Total capital assets, not being depreciated	419,619	-	-	419,619
Capital assets, being depreciated:				
Buildings and improvements	1,694,564	-	-	1,694,564
Furniture, fixtures and equipment	153,319	87,392	-	240,711
Leasehold improvements	49,529	-	-	49,529
Total capital assets being depreciated	1,897,412	87,392	-	1,984,804
Less: accumulated depreciation				
Buildings and improvements	(21,182)	(42,364)	-	(63,546)
Furniture, fixtures and equipment	(118,993)	(22,228)	-	(141,221)
Leasehold improvements	(29,919)	(3,301)	-	(33,220)
Total accumulated depreciation	(170,094)	(67,893)	-	(237,987)
Capital assets, net	$ 2,146,937	19,499	-	2,166,436

(8) Long-Term Obligations

On January 19, 2010, the Board authorized the purchase and renovation of the real property located at 4401 and 4501 Hilton Corporate Drive. On April 9, 2010, the Board authorized the Academy to enter into a loan agreement with Huntington National Bank (the bank) to borrow an amount up to $1,800,000 for a five year term, commencing when renovations are completed, with an annual interest rate of 6.3 percent to 7.5 percent secured by the real property at 4401 and 4501 Hilton Corporate Drive. During the construction period, or until the permanent loan was in place, interest was at the rate of 7% per annum or less.

During fiscal year 2011, the loan was finalized in the amount of $1,686,000 with an interest rate of 4.25 percent. The loan has been reported on the statement of net assets as a long-term liability with $46,116 due within one year and $1,528,184 due in more than one year. The Academy made principal and interest payments of $42,786 and $112,100, respectively, during fiscal year 2012.

A summary of the loan activity for fiscal year 2012 follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Loan payable	$ 1,655,314	-	(81,014)	1,574,300	46,116

The following is a summary of the Academy's future debt service requirements to maturity for the loan:

Fiscal	Huntington National Bank Loan		
Year Ended	Principal	Interest	Total
2013	$ 46,116	108,771	154,887
2014	49,368	105,519	154,887
2015	52,850	102,037	154,887
2016	1,425,966	25,140	1,451,106
Total	$ 1,574,300	341,467	1,915,767

The Academy's loan agreement with the bank contains certain financial covenants that require, among other things, maintenance of a minimum debt service coverage ratio as of the end of the fiscal year. The required minimum debt service coverage ratio was not met at June 30, 2012; however, the bank has waived such noncompliance.

(9) Purchased Services

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

Professional and technical services	$ 310,728
Contracted trade	93,809
Utilities	57,439
Property Services	34,030
Travel and meetings	19,111
Communications	7,187
Transportation	5,644
Other	547
Total	$ 528,495

(10) Risk Management

Insurance Coverage

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. There have been no insurance settlements that exceeded insurance coverage in the last three years. In addition, there have been no significant reductions in insurance coverage for from the prior year.

For the fiscal year ended 2012, the Academy contracted with Philadelphia Insurance Company and had the following insurance coverage:

Coverage	Limits of Coverage
General liability:	
Each occurrence	$ 1,000,000
General aggregate	2,000,000
Medical expenses	5,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
Products - aggregate	2,000,000
Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000
Retention	10,000
Workers compensation and employers liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000
Building and contents:	
Building	3,455,000
Contents	500,000
Other:	
Property	1,000,000
Crime	10,000

Workers' Compensation

The Academy pays the Ohio Bureau of Workers' Compensation a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

(10) Risk Management, continued

Employee Medical, Dental and Vision Benefits

The Academy has contracted through an independent agent to provide employee medical, dental and vision insurance to its full-time employees who work 20 or more hours per week. The Academy pays 100% of the monthly premiums for all selected coverage for individual employees. Employees with dependents electing only medical insurance are required to pay 12.5% of premiums for dependent coverage, while the Academy provides 100% of monthly dependent premiums for all insurance for employees with dependents electing vision and/or dental insurance coverage.

(11) Fiscal Services Contract

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period of twelve months, commencing on July 1, 2011, and ending on June 30, 2012, to provide fiscal, payroll and Comprehensive Continuous Planning consulting services. The Academy paid CSS $46,026 in service fees for fiscal year 2012. This contract was subsequently renewed for a two year period ending on June 30, 2014.

(12) Pension Plans

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, under *"Employers/Audit Resources"*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were $15,390, $26,464 and $21,607, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

State Teachers Retirement System of Ohio

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

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

(12) Pension Plan, continued

State Teachers Retirement System of Ohio, continued

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.

Funding Policy - For fiscal year 2012, 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, 2012, 2011 and 2010 were $122,351, $97,651 and $98,703, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Trustees have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

(13) Post Employment Benefits

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 Section 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.

(13) Post Employment Benefits, continued

School Employees Retirement System, continued

The Medicare Part B premium for calendar year 2012 was $99.90 for most participants, but could be as high as $319.70 per month depending on their income and the 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, 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 2012, 0.55 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. 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 2012, 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, 2012, 2011 and 2010 were $1,123, $6,613 and $2,871, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were $909, $1,703 and $1,285, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

State Teachers Retirement System of Ohio

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, under *"Publications"* 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 2012, 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, 2012, 2011 and 2010 were $9,412, $7,535 and $7,593, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

(14) Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Academy received financial assistance from federal and state agencies in the form of grants. The use of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Such audits also include the Auditor of State's ongoing review of student attendance data. Any disallowed claims resulting from such audits could become a liability; however, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

State Foundation Funding

The Ohio Department of Education conducts reviews on 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 review after fiscal year end, the Ohio Department of Education overpaid the Academy $11,263. This amount is reflected as an intergovernmental payable on the basic financial statements.

(15) Commitments

The Academy leases a portion of its building to a tenant pursuant to a lease agreement that expires June 1, 2013. The lease requires increasing monthly lease payments over the term of the lease. Rental income for the year ended June 30, 2012 was $136,574.

The Academy leases certain office equipment from a lessor pursuant to an operating lease that expires in September 2016. Terms of the lease require monthly rental payments of $471 in addition to a per-copy charge.

(16) Tax Exempt Status

The Academy was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.

(17) Subsequent Events

Subsequent events have been evaluated through December 26, 2012, which is the date the financial statements were available to be issued.

Wolf, Rogers, Dickey & Co.
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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters, Required by *Government Auditing Standards*

Board of Directors
Arts and College Preparatory Academy
Columbus, Ohio

To the Board of Directors:

We have audited the financial statements of the Arts and College Preparatory Academy (the Academy) as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 26, 2012, wherein we noted the Academy adopted Governmental Accounting Standards Board Statements No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53*. 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 auditing 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 to be 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 26, 2012.

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

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

December 26, 2012

Arts and College Preparatory Academy
Franklin County, Ohio
Schedule of Prior Audit Findings
June 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:
2011-01	Student withdrawal documentation	Yes	Finding no longer valid
2011-02	Public notification of school board meetings	Yes	Finding no longer valid

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ARTS AND COLLEGE PREPARATORY 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
APRIL 16, 2013

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