ARTS AND COLLEGE PREPARATORY ACADEMY

FINANCIAL REPORT (SINGLE AUDIT)

JUNE 30, 2014

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Arts and College Preparatory Academy, Franklin County, prepared by Maloney + Novotny LLC, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

May 14, 2015

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ARTS AND COLLEGE PREPARATORY ACADEMY

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Independent Auditors' Report

Arts and College Preparatory Academy
Franklin County, Ohio

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Arts and College Preparatory Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Meloney + Novotny LLC

Delaware, Ohio
February 10, 2015

The management's discussion and analysis of the Arts and College Preparatory Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ending June 30, 2014. 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 2014 are as follows:

- In total, the Academy's net position increased $377,594 from its net position at June 30, 2013.
- The Academy had total revenues of $2,796,766, including operating revenues of $2,207,324 and non-operating revenues of $589,442, which supported operating expenses of $2,337,451 and non-operating expenses of $81,721 during fiscal year 2014.

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 position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position 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 pages 9-10.

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 11-22 of this report.

The table below provides a summary of the Academy's net position at June 30, 2014 and June 30, 2013.

Net Position

	2014	2013
Assets		
Current assets	$ 599,848	$ 678,453
Capital assets, net	2,703,138	2,255,342
Total assets	3,302,986	2,933,795
Liabilities		
Current liabilities	341,958	277,486
Long-term liabilities	1,432,516	1,505,391
Total liabilities	1,774,474	1,782,877
Net Position		
Net investment in capital assets	1,158,179	739,528
Restricted	158,760	149,092
Unrestricted	211,573	262,298
Total net position	$ 1,528,512	$ 1,150,918

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2014, the Academy's assets exceeded liabilities by $1,528,512, an increase of $377,594 from balances at June 30, 2013. Of this total, $158,760 is restricted in use and $211,573 is unrestricted.

Assets

Current assets decreased by $78,605 from 2013; changes in current assets were primarily due to cash transactions during the year, as are detailed on the statement of cash flows on pages 9-10.

At year-end, capital assets, net of accumulated depreciation, represented 81.84 percent of total assets, compared to 76.88 percent in fiscal year 2013. Capital assets at June 30, 2014, consisted of land, construction in progress, buildings and improvements, and furniture, fixtures and equipment. Capital assets are used to provide services to the students and are not available for future spending.

Liabilities

Current liabilities increased $64,472 from June 30, 2013. The net increase in current liabilities resulted in part due to contracts and retainage payable related to construction in progress.

The Academy reported long-term liabilities in the amount of $1,432,516 at June 30, 2014 for a loan that was issued to finance the purchase and renovation of a new school building which was completed in fiscal year 2011.

The table below shows the changes in net position for the fiscal year 2014 and fiscal year 2013.

Changes in Net Position

	2014	2013
Operating Revenues:		
State foundation	$ 1,962,889	$ 1,593,038
Special education weighted funding	207,183	62,284
Tuition and fees	8,896	3,756
Charges for services	15,702	17,482
Rental income	-	96,302
Other revenues	12,654	12,299
Total operating revenue	2,207,324	1,785,161
Operating Expenses:		
Salaries and wages	1,215,307	1,072,785
Fringe benefits	342,848	302,035
Purchased services	574,698	469,344
Materials and supplies	75,000	189,501
Other operating expenses	47,827	25,078
Depreciation	81,771	66,124
Total operating expenses	2,337,451	2,124,867
Non-operating revenues (expenses):		
Federal, state, and local grants	589,399	455,113
Interest income	43	109
Proceeds from legal settlement	-	97,105
Interest expense	(81,721)	(87,197)
Loss on disposal of capital assets	-	(83,493)
Total non-operating revenues (expenses)	507,721	381,637
Change in net position	377,594	41,931
Net position at the beginning of the year	1,150,918	1,108,987
Net position at the end of the year	$ 1,528,512	$ 1,150,918

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 and special education weighted funding during fiscal year 2014, and had an increase in non-operating federal, state, and local grants during the year. The Academy did not receive rental income during 2014 due to the termination of a lease agreement with a third party for the rental of portion of the Academy's building.

Capital Assets

At June 30, 2014, the Academy had $2,703,138, net of accumulated depreciation, invested in land, construction in progress, building improvements, and furniture, fixtures and equipment. Refer to Note 6 in the notes to the basic financial statements for more detail on the Academy's capital assets.

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	$ 419,619	$ 419,619
Construction in progress	129,609	208,464
Buildings and improvements	2,077,961	1,588,654
Furniture, fixtures and equipment	75,949	38,605
Total capital assets	$ 2,703,138	$ 2,255,342

Debt Administration

During fiscal year 2010, the Academy entered into a loan agreement to borrow $1,686,000 to finance the purchase and renovation of real property. At June 30, 2014, the balance of the loan is $1,432,516, and is reported as a long-term liability on the statement of net position. Of this balance, $72,983 is due within one year. See Note 7 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

STATEMENT OF NET POSITION

June 30, 2014

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 454,820
Accounts receivable	600
Intergovernmental receivables	143,316
Prepayments	1,112
Total current assets	599,848
NON-CURRENT ASSETS	
Land and construction in progress	549,228
Depreciable capital assets, net	2,153,910
Total non-current assets	2,703,138
Total assets	$ 3,302,986
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 14,053
Contracts payable	100,686
Accrued wages and benefits	167,841
Pension obligation payable	35,058
Intergovernmental payable	11,635
Retainage payable	11,757
Accrued interest payable	928
Total current liabilities	341,958
NON-CURRENT LIABILITIES	
Due within one year	72,983
Due in more than one year	1,359,533
Total non-current liabilities	1,432,516
Total liabilities	$ 1,774,474
NET POSITION	
Net investment in capital assets	$ 1,158,179
Restricted for:	
Capital projects	57,523
State programs	11,550
Federal programs	39,905
Other purposes	49,782
Unrestricted	211,573
Total net position	$ 1,528,512

The accompanying notes are an integral part of these financial statements.

ARTS AND COLLEGE PREPARATORY ACADEMY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Fiscal Year Ended June 30, 2014

OPERATING REVENUES	
State foundation revenue	$ 1,962,889
Special education weighted funding	207,183
Tuition and fees	8,896
Charges for services	15,702
Other revenues	12,654
Total operating revenues	2,207,324
OPERATING EXPENSES	
Salaries and wages	1,215,307
Fringe benefits	342,848
Purchased services	574,698
Materials and supplies	75,000
Other operating expenses	47,827
Depreciation	81,771
Total operating expenses	2,337,451
OPERATING LOSS	(130,127)
NON-OPERATING REVENUES (EXPENSES)	
Federal, state, and local grants	589,399
Interest income	43
Interest expense	(81,721)
Total non-operating revenues (expenses)	507,721
CHANGE IN NET POSITION	377,594
NET POSITION – BEGINNING OF YEAR	1,150,918
NET POSITION – END OF YEAR	$ 1,528,512

The accompanying notes are an integral part of these financial statements.

ARTS AND COLLEGE PREPARATORY ACADEMY

STATEMENT OF CASH FLOWS

Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received:	
State foundation	$ 1,965,788
Special education weighted funding	207,183
Tuition and fees	8,896
Charges for services	15,702
Other operations	12,654
Cash payments:	
Salaries and wages	(1,221,101)
Fringe benefits	(367,009)
Purchased services	(560,948)
Materials and supplies	(108,431)
Other expenses	(43,217)
Net cash used in operating activities	(90,483)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash received from federal, state, and local grants	593,030
Net cash provided by non-capital financing activities	593,030
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal retirement on loan	(72,875)
Interest expense	(82,012)
Acquisition of capital assets	(427,547)
Net cash used in capital and related financing activities	(582,434)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	43
Net cash provided by investing activities	43
NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,844)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	534,664
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 454,820

The accompanying notes are an integral part of these financial statements.

ARTS AND COLLEGE PREPARATORY ACADEMY

STATEMENT OF CASH FLOWS, CONTINUED

Fiscal Year Ended June 30, 2014

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (130,127)
Adjustments:	
Depreciation	81,771
Changes in assets and liabilities:	
Decrease in accounts receivable	2,189
Increase in intergovernmental receivables	(10,369)
Decrease in prepayments	3,310
Decrease in accounts payable	(39,144)
Decrease in accrued wages and benefits	(679)
Decrease in intergovernmental payable	(127)
Increase in pension obligation payable	2,693
Net cash used in operating activities	$ (90,483)

Non-cash transactions:

As of June 30, 2014, the Academy had purchased $112,443 in capital assets on account.
As of June 30, 2013, the Academy had purchased $10,423 in capital assets on account.

The accompanying notes are an integral part of these financial statements.

NOTE 1. DESCRIPTION OF THE ACADEMY

A. 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 school.

The Academy operates pursuant to a sponsorship agreement with St. Aloysius (the "Sponsor") for a period of five years expiring July 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 seven-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 3 non-certified and 24 certified full time teaching personnel, who provide services to approximately 317 students.

NOTE 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.

A. Basis of Presentation - The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise 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.

B. 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, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statements of net position. Net position is segregated into restricted and unrestricted components and the Academy's net investment in capital assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. 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. Revenues resulting from exchange transaction, 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 and all eligibility requirements have been met; eligibility requirements include 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.

D. Budgetary Process - Community schools must adopt a spending plan under Ohio Revised Code. Section 5705.391 requires annual appropriations and annual revenues 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.

E. 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.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The Academy had no investments during fiscal year 2014.

F. 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. The Academy does not possess any infrastructure. 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 and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	10 - 40 years
Furniture, fixtures and equipment	3 - 5 years

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Net Position - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for food service and other local grants.

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

H. Intergovernmental Revenue - The Academy currently participates in the State Foundation Program, State and Federal Food Reimbursement grants, Title I, Twenty-first Century Learning Centers, Individuals with Disabilities Education Act (IDEA), Charter School Equality Project, Race to the Top and Improving Teacher Quality grants. 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. Federal, state and local grant revenue for fiscal year 2014 was $589,399.

I. Accrued Liabilities - The Academy has recognized certain expenses due, but unpaid as of June 30, 2014. These expenses are reported as accrued liabilities in the accompanying financial statements.

J. Prepayments - Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. These items are reported as assets on the statement of net position 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.

K. 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.

L. 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 Ohio Department of Education.

M. Fair Value of Financial Instruments - The Academy's significant financial instruments include cash, accounts receivable, and accounts payable. For these financial instruments, carrying values approximate fair value due to their short-term nature. The Academy's debt approximates fair value due to the Academy's ability to obtain similar financing with similar terms.

NOTE 3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles - For fiscal year 2014, the Academy has implemented GASB Statement No. 67, "*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*", and GASB Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the Academy.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

NOTE 4. DEPOSITS

At June 30, 2014, the carrying amount of all Academy deposits was $454,820. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2014, $222,076 of the Academy's bank balance of $472,076 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. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

NOTE 5. RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental receivables arising from grants and entitlements receivable. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

NOTE 5. RECEIVABLES, CONTINUED

Intergovernmental receivable:	Amount
SERS refund	$ 28,766
Federal Food Service	11,771
IDEA Part-B	11,251
Title I	47,239
21st Century	18,313
Race to the Top	486
US DOE Equality Project	9,162
Climate Change	16,042
Title II-A	286
Total intergovernmental receivables	$ 143,316

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 06/30/14
Capital assets, not being depreciated:				
Land	$ 419,619	$ -	$ -	$ 419,619
Construction in progress	208,464	423,920	(502,775)	129,609
Total capital assets, not being depreciated	628,083	423,920	(502,775)	549,228
Capital assets, being depreciated:				
Buildings and improvements	1,694,564	539,738	-	2,234,302
Furniture, fixtures and equipment	181,343	68,684	-	250,027
Total capital assets being depreciated	1,875,907	608,422	-	2,484,329
Less: accumulated depreciation				
Buildings and improvements	(105,910)	(50,431)	-	(156,341)
Furniture, fixtures and equipment	(142,738)	(31,340)	-	(174,078)
Total accumulated depreciation	(248,648)	(81,771)	-	(330,419)
Capital assets, net	$ 2,255,342	$ 950,571	$ (502,775)	$ 2,703,138

NOTE 7. 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 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. The loan has been reported on the statement of net position as a long-term liability with $72,983 due within one year and $1,359,533 due in more than one year. The Academy made principal and interest payments of $72,875 and $81,904, respectively, during fiscal year 2014.

A summary of the loan activity for fiscal year 2014 follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Loan payable	$ 1,505,391	$ -	$ (72,875)	$ 1,432,516	$ 72,983

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
2015	$ 72,983	$ 81,904	$ 154,887
2016	1,359,533	20,020	1,379,553
Total	$ 1,432,516	$ 101,924	$ 1,534,440

NOTE 8. PURCHASED SERVICES

For the fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	$297,795
Contracted trade	110,142
Utilities	69,616
Communications	50,650
Property services	23,145
Travel and meetings	18,795
Transportation	3,975
Other	580
Total	$574,698

NOTE 9. RISK MANAGEMENT

A. 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 from the prior year.

For the fiscal year ended 2014, 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	500
Personal injury and advertising	1,000,000
Damages to rented premises, per occurrence	100,000
Products - aggregate	2,000,000
Employee benefits	1,000,000
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	3,955,000
Contents	500,000
Other:	
Property	1,000,000
Crime	10,000

B. 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.

NOTE 9. RISK MANAGEMENT, CONTINUED

C. 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 hour 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.

NOTE 10. FISCAL SERVICES CONTRACT

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period ending on June 30, 2015, to provide fiscal, payroll and Comprehensive Continuous Planning consulting services. The Academy paid CSS $50,652 in service fees for fiscal year 2014.

The Academy entered into an agreement with St. Aloysius to provide sponsorship and oversight services as required by law. The agreement has been renewed through June 30, 2015. Sponsorship fees are calculated as 3% of the fiscal year 2014 State foundation payments received by the Academy. The total amount due from the Academy for fiscal year 2014 was $64,020, all of which was paid prior to June 30, 2014.

NOTE 11. 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, 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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the HealthCare and Medicare B Funds. 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 14 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, 2014, 2013 and 2012 were $14,106, $12,529 and $15,390, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. 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

NOTE 11. PENSION PLANS, CONTINUED

B. State Teachers Retirement System of Ohio - Plan Description, Continued - 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 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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were $144,745, $126,624 and $122,351, respectively; 91.34 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were $8,629 made by the Academy and $6,780 made by the plan members.

C. 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, 2014 certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

NOTE 12. 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 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. The Medicare Part B monthly premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income 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 2014, 0.14 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 2014, the actuarially determined amount was $20,250.

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, 2014, 2013 and 2012 were $1,934, $2,050 and $1,123, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were $797, $708 and $909, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

NOTE 12. POSTEMPLOYMENT BENEFITS, CONTINUED

B. 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 2014, 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, 2014, 2013, and 2012 were $11,134, $9,740, and $9,412, respectively; 91.34 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 13. CONTINGENCIES

A. Grants and Enrollment - The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements on the financial position of the Academy at June 30, 2014.

B. 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. The Academy had an adjustment of $2,899 to state funding for the fiscal year ended June 30, 2014, which is reported as an intergovernmental payable, as a result of the review.

C. Litigation - The Academy is not involved in any additional litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2014.

NOTE 14. OPERATING LEASE - LESSEE DISCLOSURE

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.

NOTE 15. 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. In prior years, the Academy had unrelated business income (UBIT) from rental of a portion of its facility. The UBIT resulted in income tax liability. The Academy received no rental income in the current year and therefore is not subject to UBIT.

The Academy's Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2014, 2013 and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE 16. SUBSEQUENT EVENTS

Subsequent to the end of the year, the Academy refinanced the long-term loan discussed in Note 7 in the amount of $1,785,000 at 4% interest, which will mature in September 2021.

Subsequent events have been evaluated through February 10, 2015, which is the date the financial statements were available to be issued.

ARTS AND COLLEGE PREPARATORY ACADEMY

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title:	Federal CFDA Number	Federal Receipts	Federal Expenditures
U.S. Department of Agriculture			
Passed through from the Ohio Department of Education:			
Nutrition Cluster:			
National School Lunch Program	10.555	54,081	54,081
School Breakfast Program	10.553	22,870	22,870
National School Lunch Program – food expansion grant	10.560	-	5,999
Total U.S. Department of Agriculture		76,951	82,950
U.S. Department of Education			
Passed through from the Ohio Department of Education:			
Twenty-First Century Community Learning Centers	84.287	192,319	179,612
Title I, Part A Cluster - Grants to Local Education Agencies	84.010	115,959	116,100
Special Education Cluster – Individuals with Disabilities Education Act (IDEA) - Special Education Grants to States	84.027	54,691	58,509
Charter School Equality Project	84.282	125,684	125,439
Race to the Top	84.395	19,410	18,147
Improving Teacher Quality State Grants	84.367	1,272	1,558
Total U.S. Department of Education		509,335	499,365
Total receipts and expenditures		$ 586,286	$ 582,315

The accompanying notes are an integral part of this schedule.

ARTS AND COLLEGE PREPARATORY ACADEMY

NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (SEFA) presented above includes the federal grant activity of the Arts and College Preparatory Academy (the Academy) for the year ended June 30, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the SEFA presents only a selected portion of the operations of the Academy, it is not intended to and does not present the support, revenue, expenses and changes in net assets or cash flows of the Academy.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying SEFA reports the Academy's federal award programs' receipts and disbursements. The SEFA has been prepared on the cash basis of accounting.

NOTE 3. CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

NOTE 4. FOOD DONATION PROGRAM

The Academy reports commodities consumed on Schedule at the fair value. The Academy allocated donated food commodities to the respective program(s) that benefits from the use of those donated food commodities.

NOTE 5. SUBRECEIPIENTS

Of the federal expenditures presented in the SEFA, no federal awards were provided to subrecipients.

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

Arts and College Preparatory Academy
Franklin County, Ohio

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Arts and College Preparatory Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 10, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Maloney + Novotny LLC

Delaware, Ohio
February 10, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Arts and College Preparatory Academy
Franklin County, Ohio

To the Board of Trustees:

Report on Compliance with Requirements Applicable to the Major Federal Programs

We have audited the Arts and College Preparatory Academy's (the Academy's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Academy's major Federal programs for the year ended June 30, 2014. The Summary of Auditor's Results in the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs.

Management's Responsibility

The Academy's management is responsible for complying with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to opine on the Academy's compliance for the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards;* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major federal programs. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on the Major Federal Programs

In our opinion, the Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect the major federal programs, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness on the Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirements. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Maloney + Novotny LLC

Delaware, Ohio
February 10, 2015

ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

Fiscal Year Ended June 30, 2014

I. Summary of Auditors' Results

a. The auditors' report expresses an unmodified opinion related to financial statements of the Academy.

b. No significant deficiencies or material weaknesses were noted during the audit of the financial statements.

c. No instances of noncompliance material to the financial statements of the Academy were disclosed during the audit.

d. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed.

e. The auditors' report on compliance for the major federal programs for the Academy expresses an unmodified opinion.

f. There were no reportable audit findings under Section 510(a) of OMB Circular A-133.

g. Major programs: U.S. Department of Education – Title I (CFDA number 84.010) and Twenty-First Century Community Learning Centers (CFDA number 84.287)

h. The threshold for distinguishing Type A and Type B programs was $300,000.

i. The Academy was not a low-risk auditee.

II. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

III. Federal Award Findings and Questioned Costs

None

SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended June 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid:
2013-01	Highly Qualified Teacher requirements not fully met	Yes	Finding no longer valid.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Arts and College Preparatory Academy
Franklin County, Ohio

To the Board of Trustees:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Arts and College Preparatory Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

In our report dated January 9, 2014, we noted the Board amended its anti-harassment policy at its meeting on November 13, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act". Although the Academy's official policy on anti-harassment contains these required elements, we noted that the Student Handbook available on the Academy's website does not contain the required "on a school bus" language.

The Board corrected the Student Handbook for the 2014 – 2015 school year. We read the applicable amended Student Handbook section noting that the required "on a school bus" language had been added to the anti-harassment policy.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Delaware, Ohio
February 10, 2015

Dave Yost • Auditor of State

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
MAY 28, 2015

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