

**ARTS AND COLLEGE
PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**



Mary Taylor, CPA

Auditor of State

Board of Directors
Arts and College Preparatory Academy
2202 South Hamilton Road
Columbus, Ohio 43232

We have reviewed the *Independent Accountants' Report* of the Arts and College Preparatory Academy, Franklin County, prepared by Hemphill & Associates, for the audit period July 1, 2008 through June 30, 2009. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 6, 2010

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**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO**

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Arts and College Preparatory Academy
Columbus, Ohio

We have audited the accompanying financial statements of the Arts and College Preparatory Academy (the Academy) as of and for the year ended June 30, 2009 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Arts and College Preparatory Academy as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audits. It should be read in conjunction with this report in assessing the results of our audit.



**INDEPENDENT ACCOUNTANTS' REPORT
(CONTINUED)**

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Columbus, Ohio
February 26, 2010

Hemphill & Associates



**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. 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 2009 are as follows:

- In total, the net assets increased \$67,291 from fiscal year 2008.
- The Academy had operating revenues of \$1,571,593 and operating expenses of \$1,877,475 during fiscal year 2009.

The Academy also had \$374,887 in non-operating revenues and \$1,714 in non-operating expenses during fiscal year 2009.

Using these Basic Financial Statements

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2009?" 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

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 10-21 of this report.

The table below provides a summary of the Academy's net assets at June 30, 2009 and June 30, 2008.

Net Assets		
	2009	2008
Assets		
Current assets	\$ 614,914	\$ 445,184
Security deposits	16,000	16,000
Capital assets, net	75,412	83,593
Total assets	706,326	544,777
Liabilities		
Current liabilities	208,178	113,920
Total liabilities	208,178	113,920
Net Assets		
Invested in capital assets	75,412	83,593
Restricted	8,903	48,385
Unrestricted	413,833	298,879
Total net assets	\$ 498,148	\$ 430,857

Assets

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Academy's assets exceeded liabilities by \$498,148. Of this total, \$413,833 is unrestricted. At year-end, capital assets represented 10.68% of total assets. Capital assets consisted of lease holder improvements and furniture, fixtures and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The table below shows the changes in net assets for the fiscal year 2009 and fiscal year 2008.

Change in Net Assets		
	2009	2008
Operating Revenues:		
State foundation	\$1,403,237	\$1,183,525
Special education weighted funding	154,978	200,466
Classroom fees	-	3,293
Charges for services	1,143	-
Other revenues	12,235	16,178
Total operating revenue	1,571,593	1,403,462
Operating Expenses:		
Salaries and wages	940,458	846,231
Fringe benefits	343,262	212,512
Purchased services	440,182	496,988
Materials and supplies	92,731	41,650
Other	36,609	46,589
Depreciation	24,233	20,964
Total operating expenses	1,877,475	1,664,934
Non-operating revenues (expenses):		
Federal, state and local grants	365,600	408,984
Loss on disposal of capital assets	(1,714)	-
Contributions and donations	2,543	3,269
Refund of prior year expenses	-	6,369
Interest income	6,744	214
Total non-operating revenues (expenses)	373,173	418,836
Change in net assets	67,291	157,364
Net assets at the beginning of the year	430,857	273,493
Net assets at the end of the year	\$ 498,148	\$ 430,857

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Capital Assets

At June 30, 2009, the Academy had \$75,412 invested in lease holder improvements and furniture, fixtures and equipment. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

**Capital Assets at June 30
(Net of Depreciation)**

	2009	2008
Furniture, fixtures and equipment	\$49,198	\$54,077
Leaseholder improvements	26,214	29,516
Total capital assets	\$75,412	\$83,593

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, taxpayers, and 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 Ms. Arlene Wilson, Treasurer, 2202 South Hamilton Road, Columbus, Ohio 43232.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ASSETS

Current Assets:

Cash and cash equivalents	\$579,340
Receivables:	
Accrued interest	4,648
Intergovernmental	18,563
Prepayments	12,363
Total current assets	<u>614,914</u>

Non-Current Assets:

Security deposits	16,000
Capital assets, net	75,412
Total non-current assets	<u>91,412</u>

TOTAL ASSETS	<u><u>\$706,326</u></u>
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 8,357
Accrued wages and benefits	112,349
Pension obligation payable	17,475
Intergovernmental payable	69,997
Total current liabilities	<u>208,178</u>

TOTAL LIABILITIES	<u><u>\$208,178</u></u>
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NET ASSETS

Invested in capital assets	\$ 75,412
Restricted for:	
State funded programs	1,550
Student activities	391
Other purposes	6,962
Unrestricted	413,833
TOTAL NET ASSETS	<u><u>\$498,148</u></u>

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Operating revenues:	
State foundation	\$1,403,237
Special education weighted funding	154,978
Charges for services	1,143
Other revenues	12,235
Total operating revenues	<u>1,571,593</u>
 Operating expenses:	
Salaries and wages	940,458
Fringe benefits	343,262
Purchased services	440,182
Materials and supplies	92,731
Other operating expenses	36,609
Depreciation	24,233
Total operating expenses	<u>1,877,475</u>
 Operating loss	 <u>(305,882)</u>
 Non-operating revenues (expenses):	
Federal, state and local grants	365,600
Interest income	6,744
Loss on disposal of capital assets	(1,714)
Contributions and donations	2,543
Total non-operating revenues (expenses)	<u>373,173</u>
 Change in net assets	 67,291
 Net assets at beginning of year	 <u>430,857</u>
 Net assets at end of year	 <u><u>\$ 498,148</u></u>

See Accompanying Notes to the Financial Statements

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities:	
Cash received from foundation	\$1,606,913
Cash received from charges for services	1,143
Cash received from other operations	12,235
Cash payments for salaries and wages	(929,970)
Cash payments for fringe benefits	(323,265)
Cash payments for purchased services	(437,510)
Cash payments for materials and supplies	(92,991)
Cash payments for other expenses	(36,309)
Net cash used in operating activities	<u>(199,754)</u>
 Cash flows from noncapital financing activities:	
Federal, state and local grants	398,757
Cash received from contributions and donations	2,543
Net cash provided by noncapital financing activities	<u>401,300</u>
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(17,766)</u>
Net cash used in capital and related financing activities	<u>(17,766)</u>
 Cash flows from investing activities:	
Interest received	<u>2,096</u>
Net cash provided by investing activities	<u>2,096</u>
 Net increase in cash and cash equivalents	 185,876
Cash and cash equivalents at beginning of year	<u>393,464</u>
Cash and cash equivalents at end of year	<u><u>\$ 579,340</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (305,882)
Adjustments:	
Depreciation	24,233
Changes in assets and liabilities:	
Increase in prepayments	(12,363)
Increase in accounts payable	3,769
Increase in accrued wages and benefits	12,970
Increase in pension obligation payable	17,475
Increase in intergovernmental payable	60,044
Net cash used in operating activities	<u><u>\$ (199,754)</u></u>

See Accompanying Notes to the Financial Statements

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 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 school.

Effective May 1, 2006, the Lucas County Educational Service Center assigned their remaining rights and responsibilities under the sponsorship agreement to St. Aloysius. St. Aloysius (the Sponsor) is operating with a new five-year agreement. 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 sponsorship agreement states that the Treasurer of the Sponsor should serve as the Chief Fiscal Officer (See Note 12).

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 4 non-certified and 16 certified full time teaching personnel, who provide services to 240 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with GASB pronouncements. The Academy does not apply FASB statements and interpretations issued after November 30, 1989.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 restricted and unrestricted components.

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; 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 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.

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.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2009, cash equivalents were limited to investments in non-negotiable certificates of deposit. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

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 \$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 are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Leasehold Improvements	15 years
Furniture, Fixtures and Equipment	3 - 5 years

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, State and Federal Food Reimbursement grants, EMIS, Entry Year Programs, ETech, Title VI-B, Title I, Title V, Title IV, TitleII-A, and Title II-D. 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

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2009 was \$365,600.

Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2009. 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 expenditure/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.

Security Deposits

The Academy entered into a lease for the use of the building for the administration of the Academy during fiscal year 2002. At the lease signing, a \$10,000 security deposit was given to the lessor. In fiscal year 2006, the Academy leased additional space for classroom facilities. An additional security deposit of \$6,000 was given to the lessor. The total security deposit held by the lessor is \$16,000.

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2009, the Academy has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

Local Governments” and GASB Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”. GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Academy.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Academy.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Academy.

GASB Statement No. 56 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Academy.

NOTE 4 – DEPOSITS

At June 30, 2009, the carrying amount of all Academy deposits was \$579,340. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$100,000 of the Academy’s bank balance of \$584,766 was exposed to custodial risk as discussed below, while \$484,766 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.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 – DEPOSITS (Continued)

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.

The Academy has earned \$4,648 of interest on their Certificate of Deposits. The will be paid to the Academy upon maturity of the Certificates of Deposit.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Deductions	Balance 06/30/09
Capital assets being depreciated:				
Furniture, fixtures and equipment	\$103,017	\$ 17,766	\$ (1,714)	\$119,069
Leasehold improvements	49,529	-	-	49,529
Total capital assets being depreciated	152,546	17,766	(1,714)	168,598
Less: accumulated depreciation				
Furniture, fixtures and equipment	(48,940)	(20,931)	-	(69,871)
Leasehold improvements	(20,013)	(3,302)	-	(23,315)
Total accumulated depreciation	(68,953)	(24,233)	-	(93,186)
Capital assets, net	<u>\$ 83,593</u>	<u>\$ (6,467)</u>	<u>\$ (1,714)</u>	<u>\$ 75,412</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2009 primarily consisted of accrued interest receivable of \$4,648 and intergovernmental receivables of \$18,563.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 7 - PURCHASED SERVICES

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional and technical services	\$ 125,947
Property services	230,363
Travel and meetings	8,384
Communications	3,984
Contracted trade	67,884
Transportation	3,620
Total	<u>\$ 440,182</u>

NOTE 8 - 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 2009, the Academy contracted with the O'Neill Group and had the following insurance coverage:

General Liability per single occurrence	\$ 1,000,000
General Liability aggregate limit	2,000,000
Umbrella Liability per single occurrence	10,000,000
Umbrella Liability aggregate limit	10,000,000
Professional Liability per single occurrence	1,000,000
Professional Liability aggregate limit	1,000,000
Commercial Property (\$1,000 deductible)	400,000
Student Accident Liability per student (\$500 deductible)	10,000

The Academy does not own any buildings, but rents a facility located at 2202 South Hamilton Road, Columbus, Ohio.

Workers' Compensation

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

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 8 - 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 hour per week. The Academy pays 100% of the monthly premiums for all selected coverage (medical, dental and/or vision).

NOTE 9 - OPERATING LEASE

The Academy rents the building in which the Academy is housed under an operating lease effective August 2004. The lease is for six years, with the option to exercise an extension for an additional one to five years. The rental periods run from August 1 through July 31 of each year.

For the fiscal year ended 2009, the payments made on the lease were \$228,204. The following summarizes future minimum lease payments under the operating leases at June 30, 2009:

Fiscal Year	Payments
<u>Ending June 30,</u> 2010	<u>\$ 236,520</u>

NOTE 10 - 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 and disability 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 *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% 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 2009, 9.09% of annual covered salary was the portion used to fund pension obligations.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - PENSION PLANS (Continued)

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% for plan members and 14% 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 to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$12,686, \$13,946, and \$8,173, respectively; 100% has been contributed for fiscal years 2009, 2008 and 2007.

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.

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% 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.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - PENSION PLANS (Continued)

Funding Policy - For fiscal year 2009, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% 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% for members and 14% 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, 2009, 2008 and 2007 were \$102,882, \$69,228, and \$69,910, respectively; 100% has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 11 - POSTEMPLOYMENT 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

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.

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% of covered payroll to the HealthCare Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16% of covered payroll was allocated to health care.

In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,738, \$6,267, and \$1,595, respectively; 100% has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75% of covered payroll.

The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,047, \$1,005, and \$520, respectively; 100% has been contributed for fiscal years 2009, 2008 and 2007.

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 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 2009, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,914, \$5,325 and \$5,740, respectively; 100% has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 12 - FISCAL AGENT

The Academy entered into a service agreement with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the Academy for the period of July 2008. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of all pupils funding received to the Academy. A total contract payment of \$6,199 was paid during the fiscal year. For the remaining period of August 2008 through June 2009, the Academy hired a Treasurer to serve as Chief Fiscal Officer. The Academy paid the Treasurer \$67,000 for the period of August 2008 through June 2009.

**ARTS AND COLLEGE PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - CONTINGENCIES

Grants

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 operating fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2009.

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 \$48,698. This amount is reflected as intergovernmental payable on the basic financial statements.

NOTE 14 - SUBSEQUENT EVENT

Subsequent to year end, the school allowed a \$250,000 certificate of deposit to mature. The school has entered into an agreement to purchase a building to house the school. The proceeds from the certificate of deposit will be used as a down payment on the purchase.



**Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Directors of
Arts and College Preparatory Academy
Columbus, Ohio

We have audited the financial statements of Arts and College Preparatory Academy (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 26, 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Arts and College Preparatory 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 expressing an opinion on the effectiveness of the Arts and College Preparatory Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.



**Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***
(continued)


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 obtaining reasonable assurance about whether Arts and College Preparatory Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, management, and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Columbus, Ohio
February 26, 2010





Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of
Arts and College Preparatory Academy
Columbus, Ohio

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

- We noted the Board of Director of Arts and College Preparatory Academy adopted an anti-harassment policy at its meeting on December 15, 2008.
- We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571,20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student’s rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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.

Columbus, Ohio
February 26, 2010

Hemphill & Associates



Mary Taylor, CPA
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 6, 2010**