

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

*FINANCIAL STATEMENTS*  
FOR THE YEAR ENDED JUNE 30, 2013

**WOLF, ROGERS, DICKEY & CO.**  
*Certified Public Accountants*





# 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 Wolf, Rogers, Dickey & Co., for the audit period July 1, 2012 through June 30, 2013. 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 "Dave Yost".

Dave Yost  
Auditor of State

June 3, 2014

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**Arts and College Preparatory Academy  
Franklin County, Ohio**

**For the Year Ended  
June 30, 2013**

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# Wolf, Rogers, Dickey & Co.

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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, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no 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.

The Arts and College Preparatory Academy  
Franklin County  
Independent Auditor's Report

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Arts and College Preparatory Academy, Franklin County, Ohio as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the Academy adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

***Required Supplementary Information***

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

***Supplementary and Other Information***

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule 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 January 9, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions by 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



The Arts and College Preparatory Academy  
Franklin County  
Independent Auditor's Report

***Other Reporting Required by Government Auditing Standards, continued***

internal control testing 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.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

January 9, 2014

**Arts and College Preparatory Academy, Franklin County, Ohio**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**  
**Unaudited**

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The management's discussion and analysis of the Arts and College Preparatory Academy's (the Academy's) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- In total, net position increased \$41,931 from fiscal year 2012.
- The Academy had total revenues of \$2,337,488, including operating revenues of \$1,785,161 and non-operating revenues of \$552,327, which supported operating expenses of \$2,124,867 and non-operating expenses of \$170,690 during fiscal year 2013.

**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.

**Report Components**

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

These documents look at all financial transactions and ask the question, "How did the Academy do financially during 2013?" 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 consider 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 8 and 9 of this report. The statement of cash flows can be found on page 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 on the next page provides a summary of the Academy's net position at June 30, 2013 and June 30, 2012.

**Arts and College Preparatory Academy, Franklin County, Ohio**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2103**  
**Unaudited**

**Reporting the Academy as a Whole**

	<b>Net Position</b>	
	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Current assets	\$ 678,453	816,490
Capital assets, net	2,255,342	2,166,436
	<u>2,933,795</u>	<u>2,982,926</u>
Total assets		
<b><u>Liabilities</u></b>		
Current liabilities	277,486	299,639
Long-term liabilities	1,505,391	1,574,300
	<u>1,782,877</u>	<u>1,873,939</u>
Total liabilities		
<b><u>Net Position</u></b>		
Invested in capital assets, net of related debt	739,528	592,136
Restricted	149,092	219,771
Unrestricted	262,298	297,080
	<u>\$ 1,150,918</u>	<u>1,108,987</u>
Total net position		

Over time, net position can serve as a useful indicator of the Academy's financial position. At June 30, 2013, the Academy's assets exceeded liabilities by \$1,150,918, an increase of \$41,931 from fiscal year 2012. Of this total, \$137,200 is restricted in use and \$262,298 is unrestricted.

**Assets**

Current assets decreased by \$138,037 from 2012; changes in current assets were primarily due to cash transactions during the year, as we detailed on the statement of cash flows on page 10, and lower intergovernmental receivables for grants and refunds due to the Academy. See Note 5 to the basic financial statements for intergovernmental receivables at June 30, 2013.

At year-end, capital assets, net of accumulated depreciation, represented 76.88 percent of total assets, compared to 72.63 percent in fiscal year 2012. Capital assets at June 30, 2013, consisted of land, construction in progress, buildings and improvements, furniture, fixtures and equipment. Capital assets are used to provide services to the students and are not available for future spending.

**Liabilities**

Current liabilities decreased by \$22,153 from fiscal year 2012. The net decrease in current liabilities resulted from higher accrued wages and benefits, amounts due to fund employee pensions, and retainage payable related to construction in progress, which were offset by lower accounts payable and intergovernmental payable balances at June 30, 2013.

**Arts and College Preparatory Academy, Franklin County, Ohio**  
**Management's Discussion and Analysis, continued**  
**For the Year Ended June 30, 2013**  
**Unaudited**

**Reporting the Academy as a Whole, continued**

The Academy reported long-term liabilities in the amount of \$1,505,391 for a loan that was issued to finance the purchase and renovation a new Academy building which was completed in fiscal year 2011.

The table below reflects the changes in net position in fiscal 2013 and 2012 for the Academy.

**Changes in Net Position**

	<u>2013</u>	<u>2012</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 1,593,038	1,418,203
Special education weighted funding	62,284	30,294
Tuition and fees	3,756	2,959
Charges for services	17,482	3,460
Rental income	96,302	136,574
Other revenues	12,299	30,908
Total operating revenue	<u>1,785,161</u>	<u>1,622,398</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	1,072,785	1,068,442
Fringe benefits	302,035	295,073
Purchased services	469,344	528,495
Materials and supplies	189,501	115,113
Other	25,078	80,963
Depreciation	66,124	67,893
Total operating expenses	<u>2,124,867</u>	<u>2,155,979</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal, state and local grants	455,113	581,797
Interest income	109	282
Proceeds from legal settlement	97,105	-
Interest expense	(87,197)	(73,872)
Loss on disposal of capital assets	(83,493)	-
Total non-operating revenues (expenses)	<u>381,637</u>	<u>508,207</u>
Change in net position	41,931	(25,374)
Net position at the beginning of the year	<u>1,108,987</u>	<u>1,134,361</u>
Net position at the end of the year	<u>\$ 1,150,918</u>	<u>1,108,987</u>

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 2013, while non-operating federal, state and local grants fell during the year. Charges for services revenues increased due to charges for extracurricular student activities during the year while rental income decreased 29.49 percent due to the termination of a lease agreement with a third party for the rental of a portion of the Academy's building.

**Arts and College Preparatory Academy, Franklin County, Ohio  
Management's Discussion and Analysis, continued  
For the Year Ended June 30, 2013  
Unaudited**

**Capital Assets and Debt Administration**

At June 30, 2013, the Academy had \$2,255,342, net of accumulated depreciation, invested in land, construction in progress, building improvements, furniture, fixtures and equipment. Refer to Note 6 in the notes to the basic financial statements for more detail on capital assets.

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

	Governmental Activities	
	2013	2012
Land	\$ 419,619	419,619
Construction in progress	208,464	-
Buildings and improvements	1,588,654	1,631,018
Furniture, fixtures and equipment	38,605	99,490
Leasehold improvements	-	16,309
Total capital assets	\$ 2,255,342	2,166,436

**Debt Administration**

The Academy entered into a loan agreement in fiscal 2011 to borrow \$1,686,000 to finance the purchase and renovation of real property. At June 30, 2013, the balance of the loan is \$1,505,391 and is reported as a long-term liability on the statement of net position. Of this balance, \$67,416 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  
Franklin County, Ohio  
Statement of Net Position  
June 30, 2013**

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 534,664
Receivables:	
Accounts	2,789
Intergovernmental	136,578
Prepayments	<u>4,422</u>
Total current assets	<u>678,453</u>
Non-current assets:	
Land and construction in progress	628,083
Depreciable capital assets, net	<u>1,627,259</u>
Total non-current assets	<u>2,255,342</u>
	<u>\$ 2,933,795</u>
<u>Liabilities and Net Position</u>	
Current liabilities:	
Accounts payable	53,197
Accrued wages and benefits	168,520
Pension obligation payable	32,365
Intergovernmental payable	11,762
Retainage payable	10,423
Accrued interest payable	<u>1,219</u>
Total current liabilities	<u>277,486</u>
Non-current liabilities:	
Due within one year	67,416
Due in more than one year	<u>1,437,975</u>
Total non-current liabilities	<u>1,505,391</u>
Total liabilities	<u>1,782,877</u>
Net position:	
Invested in capital assets, net of related debt	739,528
Restricted:	
Capital projects	57,523
State funded programs	11,550
Federally funded programs	27,870
Other purposes	52,149
Unrestricted	<u>262,298</u>
Total net position	<u>\$ 1,150,918</u>

See accompanying notes to the basic financial statements

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2013**

Operating revenues:	
State foundation	\$ 1,593,038
Special education weighted funding	62,284
Tuition and fees	3,756
Charges for services	17,482
Rental income	96,302
Other revenues	<u>12,299</u>
Total operating revenues	<u>1,785,161</u>
Operating expenses:	
Salaries and wages	1,072,785
Fringe benefits	302,035
Purchased services	469,344
Materials and supplies	189,501
Other operating expenses	25,078
Depreciation	<u>66,124</u>
Total operating expenses	<u>2,124,867</u>
Operating loss	<u>(339,706)</u>
Non-operating revenues (expenses):	
Federal, state, and local grants	455,113
Interest income	109
Proceeds from legal settlement	97,105
Interest expense	(87,197)
Loss on disposal of capital assets	<u>(83,493)</u>
Total non-operating revenues (expenses)	<u>381,637</u>
Changes in net position	41,931
Net position beginning of year	<u>1,108,987</u>
Net position end of year	<u>\$ 1,150,918</u>

See accompanying notes to the basic financial statements.

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Statement of Cash Flows  
For the Year Ended June 30, 2013**

Cash flows from operating activities:	
Cash received:	
State foundation	\$ 1,581,775
Special education weighted funding	62,284
Tuition and fees	3,756
Charges for services	17,482
Rental income	96,302
Other operations	12,299
Cash payments:	
Salaries and wages	(1,069,674)
Fringe benefits	(286,792)
Purchased services	(466,339)
Materials and supplies	(162,994)
Other expenses	<u>(25,235)</u>
Net cash used in operating activities	<u>(237,136)</u>
Cash flows from non-capital financing activities:	
Cash received from federal, state and local grants	533,514
Cash received from legal settlement	<u>97,105</u>
Net cash provided by non-capital financing activities	<u>630,619</u>
Cash flows from capital and related financing activities:	
Principal payments on loan	(68,909)
Interest expense	(85,978)
Acquisition of capital assets	<u>(298,570)</u>
Net cash used in capital and related financing activities	<u>(453,457)</u>
Cash flows from investing activities -	
Interest received	<u>109</u>
Net cash provided by investing activities	<u>109</u>
Net decrease in cash and cash equivalents	(59,865)
Cash and cash equivalents at beginning of year	<u>594,529</u>
Cash and cash equivalents at end of year	\$ <u>534,664</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(339,706)
Adjustments -	
Depreciation	66,124
Changes in assets and liabilities:	
(Increase) in accounts receivable	(1,447)
Decrease in intergovernmental receivable	1,375
(Increase) in prepayments	(157)
Increase in accounts payable	30,341
Increase in accrued wages and benefits	7,974
(Decrease) in intergovernmental payable	(11,784)
Increase in pension obligation payable	<u>10,144</u>
Net cash used in operating activities	\$ <u>(237,136)</u>

Non-cash transactions:

During fiscal year 2013, the Academy purchased \$10,423 in capital assets on account.

See accompanying notes to the basic financial statements.



**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013**

(1) Description of the Academy

The Arts and College Preparatory Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. Management is not aware of any course of action or series of events which could adversely affect the Academy's tax-exempt status. The Academy is a general population high school. One of the Academy's missions is to provide students with academic and art knowledge and skills necessary for them to be successful in any post-secondary educational opportunities they choose. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy operates pursuant to a sponsorship agreement with St. Aloysius (the Sponsor) for a period of five years expiring on June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five-member Board of Trustees. The Board of Trustees is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 4 non-certified and 24 certified full time teaching personnel, who provide services to 261 students.

(2) Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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.

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.

**Arts and College Preparatory Academy**  
**Franklin County, Ohio**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2013**

(2) Summary of Significant Accounting Policies, continued

Basis of Accounting

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

Budgetary Process

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

Cash and Investments

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

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

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 2013.

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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

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

**Arts and College Preparatory Academy**  
**Franklin County, Ohio**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2013**

(2) Summary of Significant Accounting Policies, continued

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 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, 21<sup>st</sup> Century Community Learning Centers, Title I, Part A, Individuals with Disabilities Education Act, Charter School Equality Project, Race to the Top, Education Jobs, Improving Teacher Quality 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 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 2013 was \$455,113.

Accrued Liabilities

The Academy has recognized certain expenses due, but unpaid as of June 30, 2013. 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 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Economic Dependency

The Academy receives approximately 93% 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.

**Arts and College Preparatory Academy**  
**Franklin County, Ohio**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Year Ended June 30, 2013**

(2) Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

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

(3) Accountability and Compliance

Change in Accounting Principles

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections – 2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements and summary of significant accounting policies to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement 65 established accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Academy.

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(3) Accountability and Compliance, continued

Change in Accounting Principles, continued

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

(4) Deposits

At June 30, 2013, the carrying amount of all Academy deposits was \$534,664. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2013, \$340,685 of the Academy's bank balance of \$590,685 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.

(5) Receivables

Receivables at June 30, 2013, consisted of intergovernmental receivables arising from grants and entitlements receivable. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

State Employees Retirement System refund	\$	13,502
Ohio Bureau of Workers' Compensation refund		4,895
Title VI-B		9,113
Title I		33,682
21st Century		65,192
Race to the Top		1,400
U.S. Department of Education Equality Project		8,794
Total intergovernmental receivables	\$	136,578

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(6) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Capital assets, not being depreciated:				
Land	\$ 419,619	-	-	419,619
Construction in progress	-	208,464	-	208,464
Total capital assets, not being depreciated	<u>419,619</u>	<u>208,464</u>	<u>-</u>	<u>628,083</u>
Capital assets, being depreciated:				
Buildings and improvements	1,694,564	-	-	1,694,564
Furniture, fixtures and equipment	240,711	30,059	(89,427)	181,343
Leasehold improvements	49,529	-	(49,529)	-
Total capital assets being depreciated	<u>1,984,804</u>	<u>30,059</u>	<u>(138,956)</u>	<u>1,875,907</u>
Less: accumulated depreciation				
Buildings and improvements	(63,546)	(42,364)	-	(105,910)
Furniture, fixtures and equipment	(141,221)	(23,760)	22,243	(142,738)
Leasehold improvements	(33,220)	-	33,220	-
Total accumulated depreciation	<u>(237,987)</u>	<u>(66,124)</u>	<u>55,463</u>	<u>(248,648)</u>
Capital assets, net	<u>\$ 2,166,436</u>	<u>172,399</u>	<u>(83,493)</u>	<u>2,255,342</u>

During 2013, the Academy removed items from capital assets that did not individually meet the entity's capitalization threshold of greater than \$1,500. This resulted in disposals of \$138,956 and a loss on disposal of \$83,493.

(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 (the bank) to borrow an amount up to \$1,800,000 for a five year term, commencing when renovations are completed, with an annual interest rate of 6.3 percent to 7.5 percent secured by the real property at 4401 and 4501 Hilton Corporate Drive. During the construction period, or until the permanent loan was in place, interest was at the rate of 7% per annum or less.

During fiscal year 2011, the loan was finalized in the amount of \$1,686,000. The loan has been reported on the statement of net position as a long-term liability with \$67,416 due within one year and \$1,437,975 due in more than one year. The Academy made principal and interest payments of \$68,909 and \$85,978, respectively, during fiscal year 2013.

A summary of the loan activity for fiscal year 2013 follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>One Year</u>
Loan payable	\$ 1,574,300	-	(68,909)	1,505,391	67,416

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(7) Long-Term Obligations, continued

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

Fiscal Year Ended	Huntington National Bank Loan		
	Principal	Interest	Total
2014	\$ 67,416	87,471	154,887
2015	72,983	81,904	154,887
2016	1,364,992	20,020	1,385,012
Total	\$ 1,505,391	189,395	1,694,786

(8) Purchased Services

For the fiscal year ended June 30, 2013, purchased services expenses were as follows:

Professional and technical services	\$ 249,189
Property services	42,978
Travel and meetings	9,643
Communications	6,606
Utilities	62,206
Contracted trade	94,206
Transportation	3,837
Other	679
Total	<u>\$ 469,344</u>

(9) 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 from the prior year.

For the fiscal year ended 2013, the Academy contracted with Philadelphia Insurance Company and had the following insurance coverage:

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	2,000,000
Medical expenses	500
Personal and advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
Products - aggregate	2,000,000
Employee benefits	1,000,000

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(9) Risk Management, continued

*Insurance Coverage, continued*

Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000
Retention	10,000
Workers compensation and employers liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000
Building and contents:	
Building	3,455,000
Contents	500,000
Other:	
Property	1,000,000
Crime	10,000

*Workers' Compensation*

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

*Employee Medical, Dental and Vision Benefits*

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

(10) Fiscal Services Contract

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period ending on June 30, 2014, to provide fiscal, payroll and Comprehensive Continuous Planning consulting services. The Academy paid CSS \$54,773 in service fees for fiscal year 2013.

(11) Pension Plans

*School Employees Retirement System*

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone



**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(11) Pension Plans, continued

School Employees Retirement System, continued

financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care 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 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$12,529, \$15,390 and \$26,464, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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](http://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 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(11) Pension Plans, continued

State Teachers Retirement System of Ohio, continued

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, 2013, 2012 and 2011 were \$126,624, \$122,351 and \$97,651, respectively; 92.78 percent has been contributed for fiscal years 2013 and 100 percent for fiscal years 2012 and 2011.

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, 2013, certain members of the Board of Trustees have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

(12) Post Employment Benefits

School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 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](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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.

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(12) Post Employment Benefits, continued

School Employees Retirement System, continued

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,050, \$1,123 and \$6,613, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$708, \$909, and \$1,703, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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](http://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 2013, 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, 2013, 2012 and 2011 were \$9,740, \$9,412 and \$7,535, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

(13) Contingencies

Grants and Enrollment

The Academy received financial assistance from 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, 2013.

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 does not anticipate any significant adjustments to state funding for the fiscal year ended June 30, 2013, as a result of the reviews which have yet to be completed.

Litigation

During 2013, the Academy received \$97,105 in proceeds from a class action legal settlement for damage to trees located on Academy property. 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, 2013.

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Notes to the Basic Financial Statements, continued  
For the Fiscal Year Ended June 30, 2013**

(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.

(15) Subsequent Events

Subsequent events have been evaluated through January 9, 2014, which is the date the financial statements were available to be issued.

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Schedule of Expenditure of Federal Awards  
For the Year Ended June 30, 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through from the Ohio Department of Education:			
Nutrition Cluster:			
National School Lunch Program	10.555	\$ 50,931	\$ 50,931
School Breakfast Program	10.553	15,415	15,415
National School Lunch Program – food expansion grant	10.560	<u>5,999</u>	<u>-</u>
Total U.S. Department of Agriculture		72,345	66,346
<u>U.S. Department of Education</u>			
Passed through from the Ohio Department of Education:			
Twenty-First Century Community Learning Centers	84.287	218,051	232,022
Title I, Part A Cluster - Grants to Local Education Agencies	84.010	109,532	125,570
Special Education Cluster – Individuals with Disabilities Education Act (IDEA) - Special Education Grants to States	84.027	54,123	53,997
Charter School Equality Project	84.282	34,898	43,692
Race to the Top	84.395	34,136	26,191
Education Jobs Fund	84.410	811	4,144
Improving Teacher Quality State Grants	84.367	2,451	2,451
Title II – D Education Technology	84.318	731	731
Total U.S. Department of Education		<u>454,733</u>	<u>488,798</u>
Total receipts and expenditures		\$ <u>527,078</u>	\$ <u>555,144</u>

Notes to the Schedule of Expenditure of Federal Awards

*Note 1: Basis of Presentation*

The Schedule of Expenditure of Federal Awards (the Schedule) presented above includes the federal grant activity of the Arts and College Preparatory Academy (the Academy). The information in the Schedule 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 Schedule 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.

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Schedule of Expenditure of Federal Awards, continued  
For the Year Ended June 30, 2013**

Notes to the Schedule of Expenditure of Federal Awards, continued

*Note 2: Summary of Significant Accounting Policies*

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Arts and College Preparatory Academy's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

*Note 3: Subrecipients*

Of the federal expenditures presented in the Schedule, 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*

Board of Trustees  
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 business-type activities of the Arts and College Preparatory Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated January 9, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

*A deficiency in internal control* 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 and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated January 9, 2014.

Academy's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

Delaware, Ohio  
January 9, 2014



# Wolf, Rogers, Dickey & Co.

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## Independent Auditors' Report On Compliance With Requirements Applicable to Each Major Federal Program And On Internal Control Over Compliance Required By OMB Circular A-133

Board of Trustees  
The Arts and College Preparatory Academy  
Franklin County, Ohio

To the Board of Trustees:

### Report on Compliance for Each Major Federal Program

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 program for the year ended June 30, 2013. The Summary of Audit Results in the accompanying Schedule of Findings identifies the Academy's major federal programs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of 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. Those 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 federal 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 programs. However, our audit does not provide a legal determination of the Academy's compliance.

### Opinion on the Major Federal Program

In our opinion, the Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal programs for the year ended June 30, 2013.

### Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-01. Our opinion on each major federal program is not modified with respect to this matter.

The Academy's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### 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 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 of 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 requirement. *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 federal program's applicable compliance requirements 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-01 that we consider to be a significant deficiency.

The Academy's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Wolf, Rogers, Dickey & Co.*

Certified Public Accountants

Delaware, Ohio  
January 9, 2014

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 §505  
For the Year Ended June 30, 2013**

I. Summary of Auditors' Results

- a. The auditors' report expresses an unqualified 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. A significant deficiency in internal control over major Federal award programs was disclosed. No material weaknesses in internal control over major Federal award programs were disclosed.
- e. The auditors' report on compliance for the major Federal award programs for the Academy expresses an unqualified opinion.
- f. There was a reportable audit finding 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

U.S. Department of Education – Title I Grants to Local Education Agencies

Finding Number 2013-01  
Noncompliance/Significant Deficiency

Applicable compliance requirement: Special Tests and Provisions

Questioned Costs: None

Under Title I requirements, a local education agency (LEA) must ensure that all teachers hired after the first day of the 2002-2003 school year who teach core academic subjects in a program supported with funds under Title I are highly qualified to teach those subjects as defined in 34 CFR Sections 200.55 and 200.56. Additionally, by the end of the 2005-2006 school year, the LEA needed to ensure that all teachers of core academic subjects were highly qualified.

During our audit, we noted that the Academy is not in compliance with the Title I Highly Qualified Teacher (HQT) requirement. One teacher out of the twenty-five tested did not meet the HQT requirement defined in 34 CFR Sections 200.55 and 200.56.

We recommend that the Academy develop procedures to ensure that newly hired teachers, teachers new to the building, or teachers in a new teaching assignment are highly qualified teachers in that core subject. Procedures should ensure that newly hired teachers, teachers new to the building, or teachers in a new teaching assignment complete or provide copies of the appropriate highly qualified teacher worksheet forms for their current teaching

**Arts and College Preparatory Academy  
Franklin County, Ohio  
Schedule of Findings and Questioned Costs, continued  
OMB Circular A-133 §505  
For the Year Ended June 30, 2013**

Finding Number 2013-01, continued  
Noncompliance/ Significant Deficiency

assignment. The Academy should also develop and implement individualized plans for teachers who are not highly qualified.

Corrective action plan:

The Academy's part time Vocal Music teacher is a professional vocalist with a Bachelor's degree in Music from Capital University. She teaches private voice lessons as well. The Academy's music program is a non-traditional program, and we've found that many traditional music teachers are not a good fit for our program or our students. In the best interests of staying true to our vision and best serving our students, we hired an instructor, who while not holding a professional teaching license (she holds a long-term sub license), and therefore not meeting the definition of HQT, is the best candidate for the position.

# Wolf, Rogers, Dickey & Co.

Certified Public Accountants

38 South Franklin Street

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Delaware, Ohio 43015-0352

Telephone: 740-362-9031

Fax: 740-363-7799

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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 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.

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.

Response by the Academy:

ACPA is committed to fostering a safe environment, and our climate and culture are built on anti-bullying and anti-harassment principles. Our students are well aware that we have the same expectations for their behavior outside of school, including social media activity and conduct on school busses. The student handbook has been amended to specifically state this and is available on our website ([artcollegeprep.org](http://artcollegeprep.org)). Our official adopted anti-harassment board policy does specify behavior on school busses, and we do and have always enforced this as such.

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.

*Wolf, Rogers, Dickey & Co.*

Certified Public Accountants

January 9, 2014

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# 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  
JUNE 17, 2014**