A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

A+ Children's Academy
Franklin County
100 Obetz Road
Columbus, Ohio 43207

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the A+ Children's Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the A+ Children's Academy, Franklin County, Ohio, as of June 30, 2017, and the respective changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management’s discussion and analysis* and schedules of net pension liabilities and pension contributions 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the Academy’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy’s internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 28, 2018

The discussion and analysis of A+ Children's Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Fiscal year 2017 was the fifth year of operations for the Academy and we were able to provide services to 122.22 students, which was a decrease of 6.67 students from the prior year.
- Total net position of the Academy at June 30, 2017 was a deficit of $736,584 resulting primarily from the implementation of GASB 68 requiring recognition of unfunded pension liabilities in fiscal year 2015.
- The Academy received $205,665 from federal grants which is a decrease of $12,725 from fiscal year 2016.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the management's discussion and analysis and the notes to the basic financial statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity-wide and fund presentation information is the same.

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

The view of the Academy as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of revenue, expenses and changes in net position answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers 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 whether, for Academy as a whole, the financial position has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Table 1 provides a summary of the Academy's net position at June 30, 2017 as compared to June 30, 2016.

Table 1
Net Position

	2017	2016*
Assets		
Current and Other Assets	$104,570	$187,932
Capital Assets, Net	59,464	57,144
Total Assets	164,034	245,076
Deferred Outflows of Resources	732,602	528,707
Liabilities		
Current and Other Liabilities	21,369	49,907
Long-Term Liabilities	1,604,090	1,118,592
Total Liabilities	1,625,459	1,168,499
Deferred Inflows of Resources	7,761	51,526
Net Position		
Net Investment in Capital Assets	59,464	48,049
Restricted	36,622	32,724
Unrestricted (Deficit)	(832,670)	(527,015)
Total Net Position	($736,584)	($446,242)

*As restated. See note 16 of the notes to the basic financial statements for more information.

Total assets decreased $81,042 due primarily to a decrease in cash and cash equivalents and capital assets net of depreciation, which was partially offset by an increase for capital asset additions. Deferred outflows of resources increased $203,895 due to an increase in the actuarially determined amounts related to the Academy's proportionate share of the state-wide net pension liability. Total liabilities increased $456,960 due primarily to the increase in the Academy's proportionate share of the state-wide net pension liability. This increase was partially offset by a decrease in accounts payables and for principal payments on the Academy's capital lease. Deferred inflows of resources decreased $43,765 due to a decrease in the actuarially determined amounts related to the Academy's proportionate share of the state-wide net pension liability.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

Table 2
Change in Net Position

	2017	2016*
Operating Revenues		
Foundation Payments	$910,514	$961,379
Special Education	159,416	199,350
Other Operating Revenues	4,707	5,121
Total Operating Revenues	1,074,637	1,165,850
Operating Expenses		
Salaries	634,293	541,759
Fringe Benefits	353,438	174,623
Purchased Services	533,805	586,877
Materials and Supplies	41,057	60,990
Depreciation	6,755	4,114
Other Expenses	2,989	13,906
Total Operating Expenses	1,572,337	1,382,269
Operating Loss	(497,700)	(216,419)
Nonoperating Revenues (Expenses)		
State and Federal Grants	207,400	226,341
Contributions and Donations	376	6,478
Loss on Disposal of Capital Assets	(418)	0
Total Nonoperating Revenues (Expenses)	207,358	232,819
Change in Net Position	(290,342)	16,400
Net Position, Beginning of Year	(446,242)	(462,642)
Net Position, End of Year	($736,584)	($446,242)

*As restated. See note 16 of the notes to the basic financial statements for more information.

The majority of the Academy's revenue comes from the state foundation payments, which account for 83% of total revenues. The Academy also receives significant federal and state funding, which account for 16% of total revenues.

Revenues decreased slightly between years due to a small decrease in enrollment. However, the Academy did experience a significant increase in expenses primarily due to an increase in personnel costs. Salaries and benefits made up 63% of total expenses for 2017 as compared to only 52% in the prior year.

Capital Assets

At June 30, 2017, the Academy had $59,464 invested in capital assets. Table 3 shows the fiscal year 2017 balances compared to 2016.

Table 3
Capital Assets
(Net of Accumulated Depreciation)

	2017	2016*
Buildings and Improvements	$34,560	$35,470
Office furniture	24,904	21,674
Total	$59,464	$57,144

*As restated. See note 16 of the notes to the basic financial statements for more information.

Changes in capital assets from the prior year resulted from additions, disposals, and depreciation expense. See note 5 of the notes to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2017, the Academy had no outstanding debt obligations.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the A+ Children's Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: A+ Children's Academy, 100 Obetz Road, Columbus, Ohio 43207, (614) 491-8502 or info@apluschildrensacademy.org.

A+ Children's Academy
Statement of Net Position
June 30, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	$57,421
Accounts Receivable	5,185
Intergovernmental Receivable	41,964
Total Current Assets	104,570
Noncurrent Assets	
Depreciable Capital Assets, Net	59,464
Total Assets	164,034
Deferred Outflows of Resources	
Pension	732,602
Liabilities	
Current Liabilities	
Accounts Payable	8,301
Accrued Wages and Benefits Payable	7,344
Intergovernmental Payable	5,724
Total Current Liabilities	21,369
Noncurrent Liabilities	
Net Pension Liability	1,604,090
Total Liabilities	1,625,459
Deferred Inflows of Resources	
Pension	7,761
Net Position	
Net Investment in Capital Assets	59,464
Restricted For:	
Other Purposes	36,622
Unrestricted (Deficit)	(832,670)
Total Net Position	($736,584)

See the accompanying notes to the basic financial statements.

A+ Children's Academy

Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

Operating Revenues	
Foundation Payments	$910,514
Special Education	159,416
Classroom Fees	4,332
Other Operating Revenues	375
Total Operating Revenues	1,074,637
Operating Expenses	
Salaries	634,293
Fringe Benefits	353,438
Purchased Services	533,805
Materials and Supplies	41,057
Depreciation	6,755
Other Operating Expenses	2,989
Total Operating Expenses	1,572,337
Operating Loss	(497,700)
Nonoperating Revenues (Expenses)	
Federal Grants	205,665
State Grants	1,735
Contributions and Donations	376
Loss on Disposal of Capital Asset	(418)
Total Nonoperating Revenues (Expenses)	207,358
Change in Net Position	(290,342)
Net Position, Beginning of Year-Restated	(446,242)
Net Position, End of Year	($736,584)

See the accompanying notes to the basic financial statements.

A+ Children's Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Change in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio - Foundation	$1,098,216
Cash Received from Classroom Fees	4,332
Cash Received from Other Operating Revenues	375
Cash Payments for Personal Services	(745,235)
Cash Payments for Purchased Services	(563,091)
Cash Payments for Materials and Supplies	(41,057)
Cash Payments for Other Expenses	(2,989)
Net Cash Used for Operating Activities	(249,449)
Cash Flows from Noncapital Financing Activities	
Cash Received from Contributions and Donations	376
Cash Received from Federal Grants	209,508
Cash Received from State Grants	1,735
Net Cash Provided by Noncapital Financing Activities	211,619
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Acquisitions	(9,493)
Principal Paid on Debt Obligations	(9,095)
Net Cash Used by Capital and Related Financing Activities	(18,588)
Net Change in Cash and Cash Equivalents	(56,418)
Cash and Cash Equivalents, Beginning of Year	113,839
Cash and Cash Equivalents, End of Year	$57,421
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($497,700)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	6,755
Change in Liabilities and Deferred Inflows/Outflows of Resources:	
Increase in Accounts Receivable	(5,185)
Decrease in Intergovernmental Receivable	28,286
Increase in Deferred Outflows of Resources	(203,895)
Decrease in Accounts Payable	(24,101)
Increase in Accrued Wages and Benefits Payable	3,782
Increase in Intergovernmental Payable	876
Increase in Net Pension Liability	485,498
Decrease in Deferred Inflows of Resources	(43,765)
Net Cash Used for Operating Activities	($249,449)

See the accompanying notes to the basic financial statements.

Note 1 – Description of the Reporting Entity

A+ Children's Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code, Chapters 3314 and 1702, to address the needs of students in grades kindergarten through six. The Academy qualifies as an exempt organization under section 501(c)(3) of the Internal Revenue Code. The Academy's mission is to cultivate a passion for learning through an engaging standards-based integrated curriculum that addresses students' social, emotional, academic, and cognitive needs. Academy students will be excited about learning, prepared for learning, and supported in their learning. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Office of School Sponsorship maintained through the Ohio Department of Education for a period of five years commencing July 1, 2012. The contract expired on June 30, 2017 and was extended through June 30, 2020.

The Academy operates under the direction of a five member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards and qualifications of teachers. The Academy's Superintendent serves as a non-voting member of the Board.

The Board hires the Superintendent, who hires all the other staff, and manages the day-to-day operations of the Academy. The Board controls the Academy's one instructional/support facility staffed by 8 non-certified and 13 certified full time teaching personnel who provide services to 122.22 students (FTE).

Note 2 – Summary of Significant Accounting Policies

The Academy's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

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. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the changes in net position, financial position and cash flows.

Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows/outflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

Cash

All monies received by the Academy are accounted for by the Academy's treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy are maintained in checking accounts.

Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of two thousand dollars.

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.

Capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

Description	Estimated Lives
Computers and related equipment	3 years
Office furniture	5 years
Building and building improvements	40 years
Parking lot and landscaping	10 years

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program and the Poverty Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are 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 first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under grants and entitlements for the fiscal year ended June 30, 2017 totaled $1,277,330.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy reports deferred outflows of resources in the statement of net position for amounts related to pensions, which will be further discussed in note 7.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Academy, deferred inflows of resources include amounts related to pensions, which will be further discussed in note 7.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes represents amounts restricted for federal grant programs. The Academy first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting these definitions are reported as nonoperating.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 - Deposits

At June 30, 2017, the carrying amount of the Academy's deposits was $57,421 and the bank balance was $75,227. The entire bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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 had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secure.

Note 4 - Receivables

Receivables at June 30, 2017 primarily consist of intergovernmental receivables arising from grants and entitlements. All receivables are considers collectable in full. A summary of the principal items of receivables follows:

School Employees Retirement System	$1,483
Title I Grant	29,274
Title II-A Grant	10,830
IDEA B Grant	60
IDEA B Early Childhood Grant	317
Total	$41,964

Note 5 – Capital Assets

A summary of the changes in capital assets during fiscal year 2017 follows:

	Balance at 6/30/16*	Additions	Deletions	Balance at 6/30/17
Capital Assets Being Depreciated				
Buildings and Improvements	$36,380	$0	$0	$36,380
Office Furniture	25,011	9,493	(660)	33,844
Total Capital Assets Being Depreciated	61,391	9,493	(660)	70,224
Accumulated Depreciation				
Buildings and Improvements	(910)	(910)	0	(1,820)
Office Furniture	(3,337)	(5,845)	242	(8,940)
Total Accumulated Depreciation	(4,247)	(6,755)	242	(10,760)
Total Capital Assets, Net	$57,144	$2,738	($418)	$59,464

*As restated. See note 16 for additional information.

Note 6 – Risk Management

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended 2017, the Academy contracted for the following coverage provided by Philadelphia Insurance Company, which includes a $1,000 deductible:

General Liability:	
Per Occurrence	$1,000,000
Personal Injury	1,000,000
General Aggregate	2,000,000
Rented to You	100,000
Medical Expense (Per Person)	5,000
Business Personal Property	100,000
Educators Professional Liability	1,000,000
Employee Benefits	1,000,000
Errors and Omissions	1,000,000
Vicarious Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from last year.

Worker's Compensation

The Academy pays the State Worker's 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.

Note 7 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $27,527 for fiscal year 2017. The full amount has been contributed for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, July 1, 2015, and July 1, 2016 when it reached 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $59,937 for fiscal year 2017. The full amount has been contributed for fiscal year 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$505,616	$1,098,474	$1,604,090
Proportion of the Net Pension Liability	0.00690820%	0.00328170%	
Pension Expense	$106,641	$218,661	$325,302

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$6,819	$44,384	$51,203
Changes of assumptions	33,753	0	33,753
Net difference between projected and actual earnings on pension plan investments	41,706	91,203	132,909
Changes in proportion and differences	120,797	306,476	427,273
Academy contributions subsequent to the measurement date	27,527	59,937	87,464
Total Deferred Outflows of Resources	$230,602	$502,000	$732,602
Deferred Inflows of Resources			
Changes in proportion and differences	$1,786	$5,975	$7,761
Total Deferred Inflows of Resources	$1,786	$5,975	$7,761

$87,464 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$72,382	$137,336	$209,718
2019	71,345	137,336	208,681
2020	45,395	105,252	150,647
2021	12,167	56,164	68,331
Total	$201,289	$436,088	$637,377

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed for the 5 year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Academy's proportionate share of the net pension liability	$669,405	$505,616	$368,519

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$1,459,783	$1,098,474	$793,689

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to Academy's net pension liability is expected to be significant.

Note 8 – Postemployment Benefits

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plan.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation was 0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ending June 30, 2017, 2016, and 2015 were $4,756, $3,618, and $1,345, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

The SERS 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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial report of SERS' Health Care plan is included in its comprehensive annual financial report. The report can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent comprehensive annual financial report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Academy, these amounts equaled $0 for fiscal years 2017, 2016 and 2015.

Note 9 – Other Employee Benefits

All staff is entitled to three days of sick leave for the duration of their respective contracts. Other benefits may be available per each contract and changed or eliminated by the Academy at its sole discretion.

Note 10 - Contingencies

Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 adverse effect on the overall financial position of the Academy at June 30, 2017.

State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure community schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of the fiscal year 2017 review resulted in the Academy owing $86 to the Ohio Department of Education. This amount has been reported as an intergovernmental payable in the accompanying financial statements.

Litigation

The Academy is not currently party to legal proceedings.

Note 11 – Purchased Services

For the fiscal year ended June 30, 2017, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$233,266
Property Services	149,618
Communications	21,035
Utilities	27,045
Other	18,246
Food Service	84,595
Total Purchased Services	$533,805

Note 12 - Long-Term Obligations

The changes in the Academy's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/16	Additions	Reductions	Principal Outstanding 6/30/17	Amount Due Within One Year
Capital Lease	$9,095	$0	($9,095)	$0	$0
Net Pension Liability	1,118,592	485,498	0	1,604,090	0
Total	$1,127,687	$485,498	($9,095)	$1,604,090	$0

Obligations related to employee compensation will be paid from the program benefitting from their service.

Note 13 – Capital Lease

In fiscal year 2015, the Academy entered into a capitalized lease for a modular classroom. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles as a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease were initially capitalized in the statement of net position in the amount of $36,380 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2017 totaled $9,095. The lease was paid in full in fiscal year 2017.

Note 14 – Sponsorship – Ohio Department of Education

The Academy was under the Ohio Department of Education as its sponsor and oversight services as required by law. The Academy pays the Sponsor three percent of State Aid. Sponsorship fees are calculated as three percent of state funds received by the Academy from the State of Ohio. For the fiscal year ended June 30, 2017, sponsorship fees totaled $31,179.

Note 15 – Management Plan

The Academy was committed to maintaining and hopefully improving its financial position during fiscal year 2017. In an effort to do this, the Academy utilized all its Comprehensive Continuous Improvement Planning (CCIP) dollars as effectively as possible. For fiscal year 2017, the Academy received $115,946 in actual CCIP grant revenue and recorded another $40,481 as a receivable. In addition, the Academy also was able to maintain a consistent enrollment throughout the year. Going forward the Academy will continue to operate as efficiently as possible and continue to be very prudent with expenses to work toward building net position.

Note 16 –Restatement of Beginning Net Position

The Academy identified various previously unreported capital assets, which had the following effect on beginning net position.

Net Position, As Reported, June 30, 2016	($463,519)
Restatements:	
Unrecorded Capital Assets, Net	17,277
Net Position, As Restated, July 1, 2016	($446,242)

Note 17 – Related Parties

In fiscal year 2017, the Academy was involved in multiple related parties transactions:

The Academy rents property from the T. Ronald and Barbara A. Sams Trust, the owner of the property, at a rate of $8,000 per month effective September 1, 2016. The Academy paid $94,000 in rent payments to the Trust.

The Academy contracts with DCA CPAs, LLC for tax services. The contract with DCW Financial Services, Inc., for treasurer services was terminated June 30, 2016. The owner of these two firms is the nephew of the property owner, Ron Sams, and the cousin of the Superintendent of the Academy. The Academy paid $11,428 to these two firms during the fiscal year.

The Academy reimbursed Melinda Hardgrow, Superintendent for party supplies for the last day of school, keys, and a banner in the amount of $229.

The Academy retained Taft, Stettinius & Hollister for legal representation, but ended the representation on May 31, 2016. A partner of the law firm is the nephew of the property owner, Ron Sams, and the cousin of the Superintendent. The Academy paid $6,160 to the firm during the fiscal year.

Note 18 – Implementation of New Accounting Pronouncements

For the fiscal year ended June 30, 2017, the Academy was required to implement Governmental Accounting Standards Board Statements No. 74, “Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,” No. 77, “Tax Abatement Disclosures,” No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” and No. 80, “Blending Requirements for Certain Component Units.”

GASB Statement No. 74 replaces GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues.

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, "The Financial Reporting Entity," by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

None of these Statements had an impact on the Academy's financial statements or note disclosures.

A+ Children's Academy
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2014	2015	2016	2017
State Teachers Retirement System				
Academy's proportion of the net pension liability	0.00123114%	0.00240364%	0.00292098%	0.00328170%
Academy's proportionate share of the net pension liability	$356,710	$584,648	$807,273	$1,098,474
Academy's covered-employee payroll	$125,800	$245,608	$305,314	$344,850
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	283.55%	238.04%	264.41%	318.54%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.71%	72.10%	66.80%
School Employees Retirement System				
Academy's proportion of the net pension liability	0.00302903%	0.00513400%	0.00545590%	0.00690820%
Academy's proportionate share of the net pension liability	$180,127	$259,829	$311,319	$505,616
Academy's covered-employee payroll	$91,091	$154,170	$164,036	$197,907
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.74%	168.53%	189.79%	255.48%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%	69.16%	62.98%

(1) 2014 was the Academy's initial year of operations.
Amounts presented are as of the Academy's measurement date which is the prior fiscal year end.

A+ Children's Academy
Required Supplementary Information
Schedule of Academy Contributions
Last Five Fiscal Years (1)

	2013	2014	2015	2016	2017
State Teachers Retirement System					
Contractually required contribution	$16,354	$31,929	$42,744	$48,279	$59,937
Contributions in relation to the contractually required contribution	16,354	31,929	42,744	48,279	59,937
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Academy's covered-employee payroll	$125,800	$245,608	$305,314	$344,850	$428,121
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	14.00%	14.00%	14.00%
School Employees Retirement System					
Contractually required contribution	$12,607	$21,368	$21,620	$27,707	$27,527
Contributions in relation to the contractually required contribution	12,607	21,368	21,620	27,707	27,527
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Academy's covered-employee payroll	$91,091	$154,170	$164,036	$197,907	$196,621
Contributions as a percentage of covered-employee payroll	13.84%	13.86%	13.18%	14.00%	14.00%

(1) 2013 was the Academy's initial year of operations.

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Dave Yost · Auditor of State

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

A+ Children's Academy
Franklin County
100 Obetz Road
Columbus, Ohio 43207

To the Board of Directors:

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 A+ Children's Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 28, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2017-002.

Academy*'s Response to Findings*

The Academy's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 28, 2018

SCHEDULE OF FINDINGS
JUNE 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-001

Accounting for Cash Disbursements – Material Weakness

The Academy has a complex financial accounting structure. They contract with a licensed Treasurer for the Academy's Treasurer services. The Treasurer then contracts with DCW Financial Services for additional accounting services, including those of an Assistant Treasurer. When a purchase is required, a requisition is completed by a member of the Academy's staff and is submitted to the Superintendent or Principal. The Assistant Treasurer converts the requisitions to purchase orders which are then forwarded to the Treasurer to compare to the budget. If adequate funds are available, the requisition is approved by the Treasurer and sent back to the Academy for the Superintendent or Principal to approve. The purchase is then completed by the employees of the Academy. When the product or service is received, an employee verifies the purchase is substantially complete before the invoice is marked 'ok to pay' by the Superintendent or Principal. Once the purchase has been approved for payment, the signed invoice is forwarded to the Assistant Treasurer to examine the invoice, match with both a signed requisition and purchase order and request approval to pay from the Treasurer. Once approved, if a manual check is to be issued, the check is prepared, signed and mailed or delivered. The majority of the Academy's checks are processed by Heartland Bank, which is then sub-contracted to Checkfree Division of FISERV, which generates a different check number than the Academy's accounting system.

The complex nature of the financial accounting structure where responsible individuals do not work in a close environment to effectively monitor the Academy's receipts and expenditures leaves the Academy at risk of improperly recording expenditures and lost documentation.

We identified the following issues related to non-payroll checks selected for testing:

- We noted 100 percent of the check numbers and EFTs per the check register disagreed to check numbers and EFT on the bank statements.
- We noted 75 percent or 30 out of 40 check dates per the check register that disagreed to the check dates on cancelled checks.
- We noted 80 percent or 8 out of 10 EFT dates per the check register that disagreed to the bank statement EFT date.

We identified the following issues related to payroll checks selected for testing:

- We noted 8 percent of ACH payments for payroll, or 2 out of 24, had dates in META that disagreed to the dates on the bank statements.

Failure to properly record the Academy's financial activity could cause errors in financial statements.

We recommend the Academy review its financial accounting structure to help ensure intended financial controls are in place and operating effectively.

Officials' Response: Refer to the corrective action plan.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-002

Student Enrollment Documentation and Procedures – Noncompliance

Ohio Rev. Code § 3314.08(H)(2) provides that a student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code.

The Ohio Department of Education (ODE) EMIS Manual, Section 2.1.1 Student Enrollment Overview provides guidance on required documentation to be obtained by the School and maintained in the student file, including the documentation required for withdrawal for each withdrawal code reported in the SOES system.

We selected 10 of the Academy's students for enrollment testing. Of these students, we identified the following deficiencies in student records:

- A student was missing a signed admission document and a proof of residency.
- A student was missing a birth certificate.
- A student was missing a birth certificate and proof of residency.

Failure to obtain and maintain appropriate enrollment information could lead to inaccurate reporting of students enrolled within the Academy. Student enrollment is the primary determination of the amount of foundation revenue provided by the State. Overstating student attendance could cause the Academy to receive revenue it was not entitled to receive.

We recommend that the Academy maintain documentation required to document student enrollments.

Officials' Response: Refer to the corrective action plan.

A+ CHILDREN'S ACADEMY
100 Obetz Road Columbus, Ohio 43207
Phone (614) 491-8502

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001 2015-001	Accounting for Cash Disbursements. (Initially issued in 2013, labeled as Purchases Issue)	Not Corrected.	Re-Issued as Finding 2017-001 due to the following issues: • We noted 100 percent of the check numbers and EFTs per the check register disagreed to check numbers and EFT on the bank statements. • We noted 75 percent or 30 out of 40 check dates per the check register that disagreed to the check dates on cancelled checks. • We noted 80 percent or 8 out of 10 EFT dates per the check register that disagreed to the bank statement EFT date. • We noted 8 percent of ACH payments for payroll, or 2 out of 24, had dates in META that disagreed to the dates on the bank statements.

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CORRECTIVE ACTION PLAN
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The Academy currently uses Heartland Bank's sub-contracted Checkfree Division of FISERV for electronic non-payroll and any payroll related withholding payments to vendors. Because the service does not assign a check number when the payment is initiated nor does it provide an ACH date or physical check issuance date, a USAS check number is assigned and the ACH or check date entered as the date of the payment is initiated. The USPS check number is assigned by the USPS system and the issuance date is recorded as the date payroll is processed. In both cases, the online payment processing confirmation is attached to the invoice and the USAS or USPS check number noted for reference. Recording all transactions at the time payment is initiated rather than recording the check or ACH transfer when the transaction clears the bank, allows for tracking of outstanding transactions. The USAS check numbers will be added to the bank reconciliations to reduce the amount of time matching the USAS and USPS check numbers with the Heartland Bank check numbers. The Fiscal Officer will continue to review and take the necessary steps to reduce the complexities of the financial accounting structure to ensure proper recording of the Academy's financial activity.	05/01/2018	Michael Ashmore
2017-002	Based on EMIS Manual 2.1.1 Student Enrollment Overview, Page 8 Timelines for Action, as part of ensuring a student's right to a free and appropriate education, students cannot be denied admittance while a district awaits previous educational records or proof of residency. To address the issue of documentation: 1) A+ Children's Academy has changed the re-enrollment form for the 2018-2019 school year to add a parent signature. 2) The Academy has changed its enrollment letter for 2018-2019 to inform parents that they will not have guaranteed seat for their child(ren) until ALL required information is received. 3) The Academy has created a withdrawal form for parents to sign when their child(ren) are withdrawn. 4) The Academy has created a School Residency Affidavit. 5) The Academy has prepared a letter and will send home with students as soon as possible to parents who have not complied with the Academy's criteria related to items required for student files for the 2017-2018 year.	05/01/2018	Melinda Hardgrow

Dave Yost • Auditor of State

A+ CHILDREN'S 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 10, 2018