



Dave Yost • Auditor of State



**A+ CHILDREN'S ACADEMY  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position .....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements.....	10
Required Supplementary Information:	
Schedule of the Academy's Proportionate Share of Net Pension Liability.....	26
Schedule of Academy Contributions .....	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29
Schedule of Findings.....	31
Prepared by Management:	
Schedule of Prior Audit Findings.....	32
Corrective Action Plan.....	33
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	35

**THIS PAGE INTENTIONALLY LEFT BLANK**



# 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 A+ Children's Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2016, 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 opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of A+ Children's Academy, Franklin County, Ohio, as of June 30, 2016, and the changes in its 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 May 2, 2017, 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**  
Auditor of State  
Columbus, Ohio

May 2, 2017

**A+ Children's Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

---

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, 2016. 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 2016 are as follows:

- Fiscal year 2016 was the fourth year of operations for the Academy and we were able to provide services to 128.89 students, which was an increase of 4.40 students from the prior year.
- Total net position of the Academy at June 30, 2016 was a deficit of \$463,519 resulting primarily from the implementation of GASB 68 requiring recognition of unfunded pension liabilities in fiscal year 2015.
- The Academy received \$218,390 from federal grants which is a decrease of \$5,981 from fiscal year 2015.

**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 2016?" 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, 2016 as compared to June 30, 2015.

**A+ Children's Academy**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

---

Table 1  
Net Position

	2016	2015*
<i>Assets</i>		
Current and Other Assets	\$187,932	\$115,108
Capital Assets, Net	39,867	36,380
Total Assets	227,799	151,488
<i>Deferred Outflows of Resources</i>	528,707	444,579
<i>Liabilities</i>		
Current and Other Liabilities	49,907	71,822
Long-Term Liabilities	1,118,592	853,572
Total Liabilities	1,168,499	925,394
<i>Deferred Inflows of Resources</i>	51,526	153,796
<i>Net Position</i>		
Net Investment in Capital Assets	30,772	9,095
Restricted	32,724	7,355
Unrestricted (Deficit)	(527,015)	(499,573)
Total Net Position	(\$463,519)	(\$483,123)

\*As restated. See note 17 of the notes to the basic financial statements for more information.

Total assets increased \$76,311 due primarily to an increase in cash and cash equivalents and capital assets net of depreciation. Deferred outflows of resources increased \$84,128 due to an increase in actuarially determined amounts related to the Academy's proportionate share of the state-wide net pension liability. Total liabilities increased \$243,105 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 intergovernmental payables related to workers compensation and for principal payments on the Academy's capital lease. Deferred inflows of resources decreased \$102,270 due to a decrease in actuarially determined amounts related to the Academy's proportionate share of the state-wide net pension liability.



**A+ Children's Academy**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

---

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

Table 2  
Change in Net Position

	2016	2015*
<i>Operating Revenues</i>		
Foundation Payments	\$961,379	\$890,028
Special Education	199,350	98,029
Other Operating Revenues	5,121	24,766
Total Operating Revenues	1,165,850	1,012,823
<i>Nonoperating Revenues</i>		
State and Federal Grants	226,341	236,491
Contributions and Donations	6,478	79,631
Total Nonoperating Revenues	232,819	316,122
 Total Revenues	 1,398,669	 1,328,945
<i>Operating Expenses</i>		
Salaries	541,759	466,965
Fringe Benefits	174,623	145,767
Purchased Services	586,877	526,356
Materials and Supplies	60,990	70,042
Depreciation	910	0
Other Expenses	13,906	24,332
Total Operating Expenses	1,379,065	1,233,462
 Change in Net Position	 19,604	 95,483
Net Position, Beginning of Year	(483,123)	(578,606)
Net Position, End of Year	(\$463,519)	(\$483,123)

\*As restated. See note 17 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.

Both revenues and expenses grew significantly due to an increase in enrollment between years. The Academy has minimal staff and will work to increase that as the funding levels rise. The salaries and benefits only make up 52% of the total expenses which is significantly below the averages seen at other community schools.

**Capital Assets**

At June 30, 2016, the Academy had \$39,867 invested in capital assets. Table 3 shows the fiscal year 2016 balances compared to 2015.

**A+ Children's Academy**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

---

Table 3  
Capital Assets  
(Net of Accumulated Depreciation)

	2016	2015*
Buildings and Improvements	\$35,470	\$36,380
Office furniture	4,397	0
Total	<u>\$39,867</u>	<u>\$36,380</u>

\*As restated. See note 17 of the notes to the basic financial statements for more information.

Changes in capital assets from the prior year resulted from additions 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, 2016, the Academy had one capital lease outstanding with a balance of \$9,095, all due within one year. See notes 12 and 13 of the notes to the basic financial statements for additional information on the Academy's debt and other long-term 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](mailto:info@apluschildrensacademy.org).

**A+ Children's Academy**  
*Statement of Net Position*  
June 30, 2016

---

<b>Assets</b>	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$113,839
Intergovernmental Receivable	74,093
	187,932
<i>Total Current Assets</i>	
 <i>Noncurrent Assets</i>	
Depreciable Capital Assets, Net	39,867
	227,799
<i>Total Assets</i>	
 <b>Deferred Outflows of Resources</b>	
Pension	528,707
 <b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	32,402
Accrued Wages and Benefits Payable	3,562
Intergovernmental Payable	4,848
Capital Lease, Current	9,095
	49,907
<i>Total Current Liabilities</i>	
 <i>Noncurrent Liabilities</i>	
Net Pension Liability	1,118,592
	1,168,499
<i>Total Liabilities</i>	
 <b>Deferred Inflows of Resources</b>	
Pension	51,526
 <b>Net Position</b>	
Net Investment in Capital Assets	30,772
Restricted For:	
Other Purposes	32,724
Unrestricted (Deficit)	(527,015)
	(\$463,519)
<i>Total Net Position</i>	
	(\$463,519)

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, 2016*

---

<b>Operating Revenues</b>	
Foundation Payments	\$961,379
Special Education	199,350
Classroom Fees	4,729
Other Operating Revenues	<u>392</u>
<i>Total Operating Revenues</i>	1,165,850
<b>Operating Expenses</b>	
Salaries	541,759
Fringe Benefits	174,623
Purchased Services	586,877
Materials and Supplies	60,990
Depreciation	910
Other Operating Expenses	<u>13,906</u>
<i>Total Operating Expenses</i>	<u>1,379,065</u>
<i>Operating Loss</i>	(213,215)
<b>Nonoperating Revenues</b>	
Federal Grants	218,390
State Grants	7,951
Contributions and Donations	<u>6,478</u>
<i>Total Nonoperating Revenues</i>	<u>232,819</u>
<i>Change in Net Position</i>	19,604
<i>Net Position, Beginning of Year-Restated</i>	<u>(483,123)</u>
<i>Net Position, End of Year</i>	<u><u>(\$463,519)</u></u>

See the accompanying notes to the basic financial statements.

**A+ Children's Academy**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2016

---

**Change in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from State of Ohio - Foundation	\$1,160,729
Cash Received from Classroom Fees	4,729
Cash Received from Other Operating Revenues	392
Cash Payments for Personal Services	(641,930)
Cash Payments for Purchased Services	(586,432)
Cash Payments for Materials and Supplies	(60,990)
Cash Payments for Other Expenses	<u>(13,906)</u>

*Net Cash Used for Operating Activities* (137,408)

**Cash Flows from Noncapital Financing Activities**

Cash Received from Contributions and Donations	6,578
Cash Received from Federal Grants	217,691
Cash Received from State Grants	<u>7,951</u>

*Net Cash Provided by Noncapital Financing Activities* 232,220

**Cash Flows from Capital and Related Financing Activities**

Acquisition of Capital Acquisitions	(4,397)
Principal Paid on Debt Obligations	<u>(18,190)</u>

*Net Cash Used by Capital and Related Financing Activities* (22,587)

*Net Change in Cash and Cash Equivalents* 72,225

*Cash and Cash Equivalents, Beginning of Year* 41,614

*Cash and Cash Equivalents, End of Year* \$113,839

**Reconciliation of Operating Loss to Net Cash Used for Operating Activities**

Operating Loss	(\$213,215)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	910
Change in Liabilities and Deferred Inflows/Outflows of Resources:	
Increase in Deferred Outflows of Resources	(84,128)
Increase in Accounts Payable	445
Decrease in Accrued Wages and Benefits Payable	(584)
Decrease in Intergovernmental Payable	(12,681)
Increase in Net Pension Liability	274,115
Decrease in Deferred Inflows of Resources	<u>(102,270)</u>

*Net Cash Used for Operating Activities* (\$137,408)

See the accompanying notes to the basic financial statements.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**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 expires on June 30, 2017.

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 11 certified full time teaching personnel who provide services to 128.89 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.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**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, 2016 totaled \$1,387,070.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**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 position 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, 2016, the carrying amount of the Academy's deposits was \$113,839 and the bank balance was \$125,938. The entire bank balance was covered by the Federal Depository Insurance Corporation (FDIC).



**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

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, 2016 primarily consist of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

State Foundation	\$29,687
School Employees Retirement System	82
Title I Grant	32,593
Title II-A Grant	<u>11,731</u>
Total	<u>\$74,093</u>

**Note 5 – Capital Assets**

A summary of the changes in capital assets during fiscal year 2016 follows:

	Balance at 6/30/15*	Additions	Deletions	Balance at 6/30/16
Capital Assets Being Depreciated				
Buildings and Improvements	\$36,380	\$0	\$0	\$36,380
Office Furniture	0	4,397	0	4,397
Total Capital Assets Being Depreciated	<u>36,380</u>	<u>4,397</u>	<u>0</u>	<u>40,777</u>
Accumulated Depreciation				
Buildings and Improvements	0	(910)	0	(910)
Office Furniture	0	0	0	0
Total Accumulated Depreciation	<u>0</u>	<u>(910)</u>	<u>0</u>	<u>(910)</u>
Total Capital Assets, Net	<u>\$36,380</u>	<u>\$3,487</u>	<u>\$0</u>	<u>\$39,867</u>

\*As restated. See note 17 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 2016, 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).

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

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](http://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, 2016, 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 \$27,707 for fiscal year 2016. The full amount has been contributed for fiscal year 2016.

**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](http://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.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

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 and 2015, and will increased one percent on July 1, 2016 when it reaches 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$48,279 for fiscal year 2016. The full amount has been contributed for fiscal year 2016.

**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, 2015, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$311,319	\$807,273	\$1,118,592
Proportion of the Net Pension Liability	0.00545590%	0.00292098%	
Pension Expense	\$20,117	\$67,600	\$87,717

At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$4,910	\$35,893	\$40,803
Changes in proportion and differences between Academy contributions and proportionate share of contributions	89,347	322,571	411,918
Academy contributions subsequent to the measurement date	<u>27,707</u>	<u>48,279</u>	<u>75,986</u>
Total Deferred Outflows of Resources	<u>\$121,964</u>	<u>\$406,743</u>	<u>\$528,707</u>
<i>Deferred Inflows of Resources</i>			
Net difference between projected and actual earnings on pension plan investments	\$8,331	\$40,598	\$48,929
Difference between Academy contributions and proportionate share of contributions	<u>0</u>	<u>2,597</u>	<u>2,597</u>
Total Deferred Inflows of Resources	<u>\$8,331</u>	<u>\$43,195</u>	<u>\$51,526</u>

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

\$75,986 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, 2017. 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:			
2017	\$26,802	\$89,178	\$115,980
2018	26,802	89,178	115,980
2019	25,768	89,181	114,949
2020	6,554	47,732	54,286
Total	\$85,926	\$315,269	\$401,195

**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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 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 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

---

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 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 100.00 %	

*Discount Rate* The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 7.75 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 (6.75 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	\$431,687	\$311,319	\$209,959

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Academy's net pension liability is expected to be significant.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

---

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015 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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

*Discount Rate* The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

*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:



**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$1,121,364	\$807,273	\$541,663

**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, 2016, 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 2016, the minimum compensation level was established at \$23,000. 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, 2016, 2015, and 2014 were \$0, \$1,345, and \$213, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

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](http://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.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

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](http://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, 2016 and 2015. For the year ended June 30, 2014, 1 percent of covered payroll was allocated to post-employment health care. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Academy, these amounts equaled \$0, \$0, and \$2,451, for fiscal years 2016, 2015 and 2014, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**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, 2016.

**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 2016 review resulted in the Academy being owed \$29,687 by the Ohio Department of Education. This amount has been reported as an intergovernmental receivable in the accompanying financial statements.

**Litigation**

The Academy is not currently party to legal proceedings.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

---

**Note 11 – Purchased Services**

For the fiscal year ended June 30, 2016, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	\$278,930
Property Services	121,886
Communications	21,120
Utilities	40,205
Other	26,554
Food Service	98,182
Total Purchased Services	\$586,877

**Note 12 - Long-Term Obligations**

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

	Principal Outstanding 6/30/15*	Additions	Reductions	Principal Outstanding 6/30/16	Amount Due Within One Year
Capital Lease	\$27,285	\$0	(\$18,190)	\$9,095	\$9,095
Net Pension Liability	844,477	274,115	0	1,118,592	0
Total	\$871,762	\$274,115	(\$18,190)	\$1,127,687	\$9,095

\*As restated. See note 17 for additional information.

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 2016 totaled \$18,190.

Principal and interest requirements to retire the capital lease at June 30, 2016 are as follows:

Year Ending June 30	Capital Leases
2017	\$9,095
Total Lease Payments	9,095
Less: Interest	0
Total Principal	\$9,095

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**Note 14 – Management Company – Scioto Academic Management Services, LLC**

The Academy entered into a contract with Scioto Academic Management Services, LLC (SAMS) to provide management services to manage the business and overall operation of the Academy. The contract has a provision for the Academy to pay twenty percent of foundation revenues for management services. The Academy made payments totaling \$16,000 under that provision during fiscal year 2016. The contract was terminated by the Board of the Academy in January 2016.

**Note 15 – 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, 2016, sponsorship fees totaled \$33,656.

**Note 16 – Management Plan**

The Academy was committed to improving its financial position during fiscal year 2016. The Academy utilized all Comprehensive Continuous Improvement Planning (CCIP) dollars as effectively as possible. For fiscal year 2016, the Academy received \$144,297 in actual CCIP grant revenue and recorded another \$74,093 as a receivable. The Academy also increased the FTE counts from 124.49 in fiscal year 2015 to 128.89 in fiscal year 2016. The Academy received a significant increase in Foundation funding in fiscal year 2016 due to the significant increase in enrollment and general funding increases from the State. For fiscal year 2016, the Academy experienced an increase in net position of \$19,604 and an increase in cash and cash equivalents of \$72,225. The Academy will operate as efficiently as possible and continue to be very prudent with expenses.

**Note 17 – Restatement of Beginning Net Position**

The Academy identified a previously unreported capital lease and related asset, which had the following effect on beginning net position.

Net Position, As Reported, June 30, 2015	(\$492,218)
Restatements:	
Unrecorded Capital Asset	36,380
Unrecorded Capital Lease	<u>(27,285)</u>
Net Position, As Restated, July 1, 2015	<u><u>(\$483,123)</u></u>

**Note 18 – Related Parties**

In fiscal year 2016, the Academy was involved in multiple related parties transactions:

The Academy received \$6,000 from Lawrence “Skip” Sams, son of Ron and Barb Sams, owners of the management company used by the Academy until January 2016, as a contribution to the Academy.

Ron Sams, owner of the management company had the ability to sign the Academy's checks until the contract with the management company terminated in January 2016.

The Academy reimbursed Samkel, Inc., for advertising, printing supplies, and software expenses in the amount of \$769.

The Academy rents property from Ron and Barb Sams, owners of the management company at a rate of \$7,000 per month. The Academy paid \$70,000 in rent payments to Mr. Sams.

**A+ Children's Academy**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

The Academy contracts with Donohoo, Cupp and Associates (DCA) for tax services and DCW Financial Services, Inc., for treasurer services. The owner of these two firms is the nephew of the management company owner, Ron Sams. The Academy paid \$74,197 to these two firms during the fiscal year.

The Academy reimbursed Melinda Hardgrow, Principal for party supplies for the last day of school in the amount of \$24.

The Academy paid Richard K. Brown, husband of Beth Brown, who is the daughter of management company owner, Ron Sams and brother-in-law of Superintendent, Melinda Hardgrow for labor and maintenance in the amount of \$2,076.

The Academy paid Richard R. Brown, stepson of Beth Brown, who is the daughter of management company owner, Ron Sams and nephew of Superintendent, Melinda Hardgrow for labor and maintenance in the amount of \$3,706.

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 management company owner, Ron Sams. The Academy paid \$48,626 to the firm during the fiscal year.

**Note 19 – Implementation of New Accounting Pronouncements**

For fiscal year 2016, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No.82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Academy's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Academy's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. This statement had no effect on the fiscal year 2016 financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Academy's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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

	2013	2014	2015
<i>State Teachers Retirement System</i>			
Academy's proportion of the net pension liability	0.00123114%	0.00240364%	0.00292098%
Academy's proportionate share of the net pension liability	\$356,710	\$584,648	\$807,273
Academy's covered-employee payroll	\$125,800	\$245,608	\$305,314
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	283.55%	238.04%	264.41%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.71%	72.10%
<i>School Employees Retirement System</i>			
Academy's proportion of the net pension liability	0.00302903%	0.00513400%	0.00545590%
Academy's proportionate share of the net pension liability	\$180,127	\$259,829	\$311,319
Academy's covered-employee payroll	\$91,091	\$154,170	\$164,036
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.74%	168.53%	189.79%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%	69.16%

(1) 2013 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 Four Fiscal Years (1)*

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

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

**THIS PAGE INTENTIONALLY LEFT BLANK**





# 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 A+ Children's Academy, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 2, 2017.

### ***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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

***Compliance and Other Matters***

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

***Academy's Response to Finding***

The Academy's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Academy's response and, accordingly, we express no opinion on it.

***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**  
Auditor of State  
Columbus, Ohio

May 2, 2017

**A+ CHILDREN'S ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016**

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

**FINDING NUMBER 2016-001**

**Purchases – Significant Deficiency**

The Academy has a complex financial accounting structure. They contract with DCW Financial Services to maintain their accounting records, perform bank reconciliations and provide a licensed School Treasurer to the Academy. When a purchase is required, a requisition is completed and sent to DCW Financial Services to be compared to the budget. If adequate funds are available, the requisition is approved by the licensed Treasurer and sent back to the Academy for the Superintendent 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. The check is then prepared by the bookkeeper. Invoices and checks are provided to the Academy's Board Treasurer and/or Assistant Treasurer (the Academy's authorized signatories), for review prior to signing. Invoices are maintained by Academy administration at the Academy, filed by check number. Copies of the checks are sent to DCW Financial Services to be input into the Academy's electronic 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:

- 2 instances where the check number per check register did not agree to canceled check/bank statement.
- 10 instances where the check date per check register did not agree to canceled check.
- 16 instances where the check number and date per check register did not agree to canceled check/bank statement.
- 19 instances where the EFT date per the check register did not agree to the bank statement.
- 1 instance where a check was voided but the vendor and amount in the check register did not match the voided check.

Failure to properly record the Academy's financial activity could cause errors in financial statements, negative net position, or the Academy to pay for items or services the Academy did not actually receive.

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

**Officials' Response:** Refer to the corrective action plan.

**A+ CHILDREN'S ACADEMY  
FRANKLIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Purchases (Initially issued in 2013)	Partially Corrected	<p>Re-Issued as Finding 2016-001 due to the following issues:</p> <ul style="list-style-type: none"> <li>• 2 instances where the check number per check register did not agree to canceled check/bank statement.</li> <li>• 10 instances where the check date per check register did not agree to canceled check.</li> <li>• 16 instances where the check number and date per check register did not agree to canceled check/bank statement.</li> <li>• 19 instances where the EFT date per the check register did not agree to the bank statement.</li> <li>• 1 instance where a check was voided but the vendor and amount in the check register did not match the voided check.</li> </ul> <p>The Academy continues to stream line its financial accounting structure and utilize META to full capacity, as evidenced by less issues noted during the current audit.</p>
2015-002	Ethics Referral (Initially issued in 2014)	Fully Corrected	
2015-003	Finding for Recovery Repaid/Resolved Under Audit – Overpayment of Employees (Initially issued in 2015)	Fully Corrected	

**A+ CHILDREN'S ACADEMY  
FRANKLIN COUNTY**

**CORRECTIVE ACTION PLAN  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Effective June 26, 2016, the Academy no longer utilizes a bookkeeper. To reduce the risk of improper recording of expenditures, all invoices approved by the Superintendent's signature are provided to the Assistant Treasurer for review. The Assistant Treasurer provides an accounts payable list to the Treasurer for review and approval to pay the outstanding invoices. Once approved, the Assistant Treasurer processes payment utilizing the online banking system or by manual check (the Treasurer and Assistant Treasurer are the Academy's authorized signatories). The Assistant Treasurer maintains the invoice and check records and enters the invoices and checks into the Academy's electronic accounting system.	June 26, 2016	Gwen Walden

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

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

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

1. In our report dated December 7, 2016, we noted the Board adopted an anti-harassment policy on April 14, 2015. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the April 14, 2015 policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.
  - (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment;
  - (2) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 2, 2017





# 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  
JUNE 6, 2017**