

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

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2015**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Directors  
Arts & College Preparatory Academy  
40 Hill Road South  
Pickerington, OH 43147

We have reviewed the *Independent Auditor's Report* of the Arts & College Preparatory Academy, Franklin County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 11, 2016

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**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Arts and College Preparatory Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2015, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Arts and College Preparatory Academy, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arts and College Preparatory Academy, Ohio, as of June 30, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 3 to the basic financial statements, the Academy adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, and restated its net position at July 1, 2014. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the Academy's Proportionate Share of the Net Pension Liability, Schedules of Academy Contributions, and Notes to the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arts and College Preparatory Academy, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, on our consideration of the Arts and College Preparatory Academy, Ohio’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Arts and College Preparatory Academy, Ohio’s internal control over financial reporting and compliance.

**James G. Zupka,**  
**CPA, President**  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2016.01.29 09:31:11 -05'00'

January 26, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The management's discussion and analysis of the Arts and College Preparatory Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ending June 30, 2015. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- In total, the Academy's net position increased \$573,553 from net position at June 30, 2014.
- The Academy had total revenues of \$4,949,944, including operating revenues of \$2,481,643 and non-operating revenues of \$2,468,301 which supported operating expenses of \$2,527,771 and non-operating expenses of \$1,848,620 during fiscal year 2015.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

**Reporting the Academy Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2015?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 11 and 12 of this report. The statement of cash flows can be found on page 13.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 14-33 of this report.

In addition to the basic financial statements and accompanying notes, this report as presents certain required supplementary information concerning the Academy's net pension liability. This required supplementary information can be found on pages 34-40 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The table below provides a summary of the Academy's net position for fiscal year 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.

	<b>Net Position</b>	
	2015	Restated 2014
<b><u>Assets</u></b>		
Current assets	\$ 1,088,471	\$ 599,848
Capital assets, net	3,035,898	2,703,138
Total assets	4,124,369	3,302,986
<b><u>Deferred outflows</u></b>	210,227	158,174
<b><u>Liabilities</u></b>		
Current liabilities	321,954	341,958
Long-term liabilities:		
Due within one year	43,686	72,983
Net pension liability	2,806,196	3,339,524
Other amounts due in more than one year	1,727,376	1,359,533
Total liabilities	4,899,212	5,113,998
<b><u>Deferred inflows</u></b>	514,669	-
<b><u>Net Position</u></b>		
Net investment in capital assets	1,229,001	1,158,179
Restricted	181,524	158,760
Unrestricted (deficit)	(2,489,810)	(2,969,777)
Total net position (deficit)	\$(1,079,285)	\$(1,652,838)

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$1,528,512 to a deficit of \$1,652,838.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Academy's net position was a deficit of \$1,079,285, an increase of \$573,553 from previous year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**Assets**

Current assets increased by \$488,623 from 2014; changes in current assets were primarily due to cash transactions during the year, as are detailed on the statement of cash flows on page 11.

At year-end, capital assets, net of accumulated depreciation, represented 73.61 percent of total assets. Capital assets at June 30, 2015, consisted of land, construction in progress, land improvements, buildings and improvements, and furniture, fixtures and equipment. Capital assets are used to provide services to the students and are not available for future spending.

**Liabilities**

Current liabilities decreased \$20,004 from June 30, 2014. The net decrease in current liabilities resulted in part due to larger balances of contracts and retainage payable related to construction in progress in fiscal year 2014.

The Academy's long-term liabilities included a loan payable balance of \$1,771,062 for purchase and renovation of a new school building which was completed in fiscal year 2011. This loan was refinanced at a lower interest rate during fiscal year 2015.

The table on the following page shows the changes in net position for the fiscal year 2015 and fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Change in Net Position**

	2015	2014
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 2,273,961	\$ 1,962,889
Special education weighted funding	170,763	207,183
Tuition and fees	16,800	8,896
Charges for services	9,837	15,702
Other revenues	<u>10,282</u>	<u>12,654</u>
Total operating revenue	<u>2,481,643</u>	<u>2,207,324</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	1,343,505	1,215,307
Fringe benefits	309,172	342,848
Purchased services	554,458	574,698
Materials and supplies	146,640	75,000
Other operating expenses	52,212	47,827
Depreciation	<u>121,784</u>	<u>81,771</u>
Total operating expenses	<u>2,527,771</u>	<u>2,337,451</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal, state, and local grants and contributions	2,468,236	589,399
Interest income	65	43
Intergovernmental pass-thru expense	(1,765,600)	-
Interest expense	<u>(83,020)</u>	<u>(81,721)</u>
Total non-operating revenues (expenses)	<u>619,681</u>	<u>507,721</u>
Change in net position	573,553	377,594
Net position (deficit) at the beginning of the year, as restated	<u>(1,652,838)</u>	<u>n/a</u>
Net position (deficit) at the end of the year	<u><u>\$(1,079,285)</u></u>	<u><u>\$(1,652,838)</u></u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of \$158,174 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$112,720. Consequently, in order to compare 2015 total operating expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	\$ 2,527,771
Pension expense under GASB 68	(112,720)
2015 contractually required contributions	<u>183,432</u>
Adjusted 2015 operating expenses	2,598,483
Total 2014 operating expenses under GASB 27	<u>2,337,451</u>
Increase in operating expenses not related to pension	<u><u>\$ 261,032</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and from federal entitlement programs. The Academy received higher State foundation revenues during fiscal year 2015, and had an increase in non-operating federal, state, and local grants during the year. The Academy was the lead recipient for a Straight A grant from the Ohio Department of Education. The Academy had expenses of \$1,765,600 that was paid on behalf of other grant participants and accounted for as non-operating expenses.

**Capital Assets**

At June 30, 2015, the Academy had \$3,035,898, net of accumulated depreciation, invested in land, construction in progress, land improvements, buildings and improvements, and furniture, fixtures and equipment. Refer to Note 6 in the notes to the basic financial statements for more detail on the Academy's capital assets.

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

	<u>2015</u>	<u>2014</u>
Land	\$ 419,619	\$ 419,619
Construction in progress	35,835	129,609
Land improvements	2,470	-
Buildings and improvements	2,489,404	2,077,961
Furniture, fixtures and equipment	<u>88,570</u>	<u>75,949</u>
Total capital assets	<u>\$ 3,035,898</u>	<u>\$ 2,703,138</u>

**Debt Administration**

During fiscal year 2010, the Academy entered into a loan agreement to borrow \$1,686,000 to finance the purchase and renovation of real property. In fiscal year 2015, the Academy obtained a new loan for \$1,785,000 at a 4.0% interest rate and retired the original loan. At June 30, 2015, the balance of the loan is \$1,771,062, and is reported as a long-term liability on the statement of net position. Of this balance, \$43,686 is due within one year. See Note 7 to the basic financial statements for detail on the loan.

**Current Financial Related Activities**

The Academy is sponsored by St. Aloysius. The Academy relies primarily on the State foundation funds and federal and state operating grants.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for state and federal funds that are made available to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Dan Lamb, Treasurer, 40 Hill Road South, Pickerington, Ohio 43147.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 794,780
Receivables:	
Accrued interest. . . . .	4
Intergovernmental. . . . .	225,217
Prepayments . . . . .	68,470
Total current assets . . . . .	<u>1,088,471</u>
Non-current assets:	
Land. . . . .	455,454
Depreciable capital assets, net . . . . .	2,580,444
Total non-current assets. . . . .	<u>3,035,898</u>
Total assets. . . . .	<u>4,124,369</u>
Deferred outflows of resources:	
Pension - STRS. . . . .	188,340
Pension - SERS. . . . .	21,887
Total deferred outflows of resources . . . . .	<u>210,227</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	65,066
Contracts payable. . . . .	35,835
Accrued wages and benefits . . . . .	180,105
Pension obligation payable. . . . .	25,627
Intergovernmental payable . . . . .	10,598
Accrued interest payable . . . . .	4,723
Total current liabilities . . . . .	<u>321,954</u>
Non-current liabilities:	
Due within one year. . . . .	43,686
Due in more than one year:	
Net pension liability. . . . .	2,806,196
Other amounts due in more than one year . . . . .	1,727,376
Total non-current liabilities . . . . .	<u>4,577,258</u>
Total liabilities . . . . .	<u>4,899,212</u>
Deferred inflows of resources:	
Pension - STRS. . . . .	482,585
Pension - SERS. . . . .	32,084
Total deferred inflows of resources . . . . .	<u>514,669</u>
<b>Net position:</b>	
Investment in capital assets. . . . .	1,229,001
Restricted for:	
Capital projects. . . . .	57,523
State programs. . . . .	77,518
Federal programs. . . . .	9,426
Other purposes. . . . .	37,057
Unrestricted (deficit). . . . .	<u>(2,489,810)</u>
Total net position (deficit) . . . . .	<u>\$ (1,079,285)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<b>Operating revenues:</b>	
State foundation revenue . . . . .	\$ 2,273,961
Special education weighted funding . . . . .	170,763
Tuition and fees. . . . .	16,800
Charges for services. . . . .	9,837
Other . . . . .	10,282
Total operating revenues . . . . .	2,481,643
<b>Operating expenses:</b>	
Salaries and wages. . . . .	1,343,505
Fringe benefits. . . . .	309,172
Purchased services. . . . .	554,458
Materials and supplies . . . . .	146,640
Other. . . . .	52,212
Depreciation . . . . .	121,784
Total operating expenses. . . . .	2,527,771
Operating loss. . . . .	(46,128)
<b>Non-operating revenues (expenses):</b>	
Federal and state grants. . . . .	2,461,327
Interest revenue . . . . .	65
Contributions and donations. . . . .	6,909
Interest and fiscal charges . . . . .	(83,020)
Intergovernmental pass-thru expenses . . . . .	(1,765,600)
Total nonoperating revenues (expenses) . . . . .	619,681
Change in net position . . . . .	573,553
<b>Net position (deficit) at beginning of year (restated).</b>	(1,652,838)
<b>Net position at end of year . . . . .</b>	<b>\$ (1,079,285)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 2,251,299
Cash received from Special education weighted funding . . . . .	170,763
Cash received from tuition and fees . . . . .	16,800
Cash received from sales/charges for services. . . . .	9,837
Cash received from other operations . . . . .	10,282
Cash payments for salaries and wages. . . . .	(1,331,079)
Cash payments for fringe benefits . . . . .	(378,123)
Cash payments for contractual services . . . . .	(568,237)
Cash payments for materials and supplies . . . . .	(151,115)
Cash payments for other expenses . . . . .	(54,353)
	<hr/>
Net cash used in operating activities. . . . .	(23,926)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from Federal and state grants . . . . .	2,390,259
Cash received from contributions and donations . . . . .	6,909
Cash payments made on behalf of other governments. . . . .	(1,765,600)
	<hr/>
Net cash provided by noncapital financing activities. . . . .	631,568
<b>Cash flows from capital and related financing activities:</b>	
Loan proceeds. . . . .	1,785,000
Interest and fiscal charges . . . . .	(79,225)
Principal retirement on loans. . . . .	(1,446,454)
Acquisition of capital assets . . . . .	(527,064)
	<hr/>
Net cash used in capital and related financing activities. . . . .	(267,743)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	61
	<hr/>
Net cash provided by investing activities . . . . .	61
Net increase in cash and cash equivalents. . . . .	339,960
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>454,820</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 794,780</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (46,128)
Adjustments:	
Depreciation . . . . .	121,784
Changes in assets and liabilities:	
Decrease in accounts receivable . . . . .	600
Increase in intergovernmental receivable. . . . .	(10,833)
Decrease in prepayments . . . . .	(67,358)
Increase in accounts payable. . . . .	46,925
Increase in accrued wages and benefits. . . . .	12,264
Decrease in intergovernmental payable. . . . .	(1,037)
Decrease in pension obligation payable . . . . .	(9,431)
Decrease in net pension liability. . . . .	(533,328)
Increase in deferred inflows - pension. . . . .	514,669
Decrease in deferred inflows - pension. . . . .	(52,053)
	<hr/>
Net cash used in operating activities . . . . .	\$ (23,926)
	<hr/> <hr/>

**Non-cash transactions:**

During fiscal year 2015, the Academy purchased \$39,923 in capital assets on account.  
During fiscal year 2014, the Academy purchased \$112,443 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

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

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

The Academy operates under the direction of a seven-member Board of Trustees. The Board of Trustees is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy’s one instructional/support facility staffed by 7 non-certified and 29 certified full time teaching personnel, who provide services to approximately 350 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus**

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a “flow of economic resources” measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statements of net position. Net position is segregated into restricted and unrestricted components and the Academy’s net investment in capital assets.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Basis of Accounting**

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

**D. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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. For the Academy, deferred outflows of resources have been reported for the following two items related to the Academy's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Academy's contributions to the pension systems subsequent to the measurement date.

The Academy also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the Academy's net pension liability.

**E. Budgetary Process**

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

**F. Cash and Investments**

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

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

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The Academy had no investments during fiscal year 2015.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 - 40 years
Land improvements	10 years
Furniture, fixtures and equipment	3 - 5 years

**H. Net Position**

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

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

**I. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program, State and Federal Food Reimbursement grants, Title VI-B, Title II-D, Title I, Title IV-A, Improving Teacher Quality, Race to the Top, Straight A, and 21<sup>st</sup> Century programs. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Federal and State grant revenue for fiscal year 2015 was \$2,461,327.

**J. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2015. These expenses are reported as accrued liabilities in the accompanying financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**L. 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.

**M. Estimates**

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

**N. Economic Dependency**

The Academy receives approximately 98% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the Ohio Department of Education.

**O. Fair Value of Financial Instruments**

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

**NOTE 3 - ACCOUNTABILITY**

**Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY - (Continued)**

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement

No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Academy's pension plan disclosures, as presented in Note 11, and added required supplementary information which is presented after the notes to the financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The net position at July 1, 2014 has been restated as follows:

Net position as previously reported	\$ 1,528,512
Deferred outflows - payments subsequent to measurement date	158,174
Net pension liability	<u>(3,339,524)</u>
Restated net position at July 1, 2014	<u>\$ (1,652,838)</u>

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 4 - DEPOSITS**

At June 30, 2015, the carrying amount of all Academy deposits was \$794,780. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2015, \$580,047 of the Academy's bank balance of \$835,828 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC") and \$5,781 was covered by the National Credit Union Administration (NCUA).

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2015, consisted of intergovernmental receivables arising from grants and entitlements receivable. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental receivable:</b>	<u>Amount</u>
SERS refund	\$ 19,836
IDEA Part-B	16,952
Title I	37,013
21st Century	19,972
Straight A	93,440
Ohio Department of Education	19,763
Climate Change	17,596
Title II-A	<u>645</u>
 Total intergovernmental receivables	 <u>\$ 225,217</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/14	Additions	Deductions	Balance 06/30/15
Capital assets, not being depreciated:				
Land	\$ 419,619	\$ -	\$ -	\$ 419,619
Construction in progress	<u>129,609</u>	<u>350,619</u>	<u>(444,393)</u>	<u>35,835</u>
Total capital assets, not being depreciated	<u>549,228</u>	<u>350,619</u>	<u>(444,393)</u>	<u>455,454</u>
Capital assets, being depreciated:				
Land improvements	-	2,600	-	2,600
Buildings and improvements	2,234,302	482,980	-	2,717,282
Furniture, fixtures and equipment	<u>250,027</u>	<u>62,738</u>	<u>(105,489)</u>	<u>207,276</u>
Total capital assets being depreciated	<u>2,484,329</u>	<u>548,318</u>	<u>(105,489)</u>	<u>2,927,158</u>
Less: accumulated depreciation				
Land improvements	-	(130)	-	(130)
Buildings and improvements	(156,341)	(71,537)	-	(227,878)
Furniture, fixtures and equipment	<u>(174,078)</u>	<u>(50,117)</u>	<u>105,489</u>	<u>(118,706)</u>
Total accumulated depreciation	<u>(330,419)</u>	<u>(121,784)</u>	<u>105,489</u>	<u>(346,714)</u>
Capital assets, net	<u>\$ 2,703,138</u>	<u>\$ 777,153</u>	<u>\$ (444,393)</u>	<u>\$ 3,035,898</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

On January 19, 2010, the Board authorized the purchase and renovation of the real property located at 4401 and 4501 Hilton Corporate Drive. On April 9, 2010, the Board authorized the Academy to enter into a loan agreement with Huntington National Bank to borrow an amount up to \$1,800,000 for a five year term, commencing when renovations are completed, with an annual interest rate of 6.3 percent to 7.5 percent secured by the real property at 4401 and 4501 Hilton Corporate Drive. During the construction period, or until the permanent loan was in place, interest was at the rate of 7% per annum or less. During fiscal year 2011, the loan was finalized in the amount of \$1,686,000.

On December 18, 2014, the Academy entered into a loan agreement with Self-Help New Markets XII, LLC. for \$1,785,000 at a 4.0 percent interest rate. The Academy used a portion of the proceeds of this loan to repay the \$1,432,516 principal remaining to Huntington National Bank.

The outstanding loan has been reported on the statement of net position as a long-term liability with \$43,686 due within one year and \$1,727,376 due in more than one year. The Academy made principal and interest payments of \$13,938 and \$33,446, respectively, during fiscal year 2015 on the loan to Self-Help New Markets XII, LLC.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 7 - LONG-TERM OBLIGATIONS – (Continued)**

A summary of the loan activity for fiscal year 2015 follows:

	Restated Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Net pension liability	\$ 3,339,524	\$ -	\$ (533,328)	\$ 2,806,196	\$ -
Loans payable	<u>1,432,516</u>	<u>1,785,000</u>	<u>(1,446,454)</u>	<u>1,771,062</u>	<u>43,686</u>
Total long-term obligations	<u>\$ 4,772,040</u>	<u>\$ 1,785,000</u>	<u>\$(1,979,782)</u>	<u>\$ 4,577,258</u>	<u>\$ 43,686</u>

See Note 11 for detail on the net pension liability.

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

Fiscal Year Ended	Loan Payable		
	Principal	Interest	Total
2016	\$ 43,686	\$ 70,038	\$ 113,724
2017	45,466	68,258	113,724
2018	47,318	66,406	113,724
2019	49,246	64,478	113,724
2020	51,252	62,472	113,724
2021-2022	<u>1,534,094</u>	<u>75,143</u>	<u>1,609,237</u>
Total	<u>\$ 1,771,062</u>	<u>\$ 406,795</u>	<u>\$ 2,177,857</u>

**NOTE 8 - PURCHASED SERVICES**

For fiscal year ended June 30, 2015, purchased services expenses were as follows:

Professional and technical services	\$ 272,943
Property services	29,065
Travel and meetings	30,061
Communications	6,761
Utilities	75,321
Contracted trade	125,805
Tuition	10,153
Transportation	3,794
Other	<u>555</u>
Total	<u>\$ 554,458</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - RISK MANAGEMENT**

**A. Insurance Coverage**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no insurance settlements that exceeded insurance coverage in the last three years. In addition, there have been no significant reductions in insurance coverage from the prior year.

For the fiscal year ended 2015, the Academy contracted with Philadelphia Insurance Company and had the following insurance coverage:

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	2,000,000
Medical expenses	5,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
Products - aggregate	2,000,000
Employee benefits	1,000,000
Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000
Workers compensation and employers liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000
Building and contents:	
Building	4,346,000
Contents	500,000
Other:	
Property	1,000,000
Crime	10,000

**B. Workers' Compensation**

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - RISK MANAGEMENT – (Continued)**

**C. Employee Medical, Dental, and Vision Benefits**

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

**NOTE 10 - FISCAL SERVICES AND SPONSORSHIP CONTRACTS**

The Academy entered into a service contract with Charter School Specialists, LLC (“CSS”), for a period ending June 30, 2016, to provide fiscal, payroll and Comprehensive Continuous Planning consulting services. The Academy paid CSS \$41,052 in service fees for fiscal year 2015.

The Academy entered into an agreement with St. Aloysius to provide sponsorship and oversight services as required by law. The agreement has been renewed through June 30, 2015. Sponsorship fees are calculated as 3% of the fiscal year 2015 State foundation payments received by the Academy. The total amount due from the Academy for fiscal year 2015 was \$71,542 all of which was paid prior to June 30, 2015.

The Academy entered into a five-year sponsorship agreement with the Ohio Council of Community Schools commencing on July 1, 2015.

**NOTE 11 - 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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 *pension obligation payable* on both the accrual and modified accrual bases 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 year 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was \$20,205 for fiscal year 2015.

***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 Web site 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 will be 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 will increase 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 services. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$163,227 for fiscal year 2015. Of this amount, \$1,189 is reported as a pension liability on the financial statements.

***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, 2014, 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	\$ 197,680	\$ 2,608,516	\$ 2,806,196
Proportion of the Net Pension Liability	0.003906%	0.0107243%	
Pension Expense	\$ 11,534	\$ 101,186	\$ 112,720

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 1,682	\$ 25,113	\$ 26,795
Academy contributions subsequent to the measurement date	20,205	163,227	183,432
Total Deferred Outflows of Resources	\$ 21,887	\$ 188,340	\$ 210,227
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 32,084	\$ 482,585	\$ 514,669
Total Deferred Inflows of Resources	\$ 32,084	\$ 482,585	\$ 514,669

\$183,432 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, 2016. 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:			
2016	\$ (7,600)	\$ (114,368)	\$ (121,968)
2017	(7,600)	(114,368)	(121,968)
2018	(7,600)	(114,368)	(121,968)
2019	(7,602)	(114,368)	(121,970)
Total	\$ (30,402)	\$ (457,472)	\$ (487,874)

**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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2014, 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.

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 averaged 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:

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**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 earning 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Academy's proportionate share of the net pension liability	\$ 282,031	\$ 197,680	\$ 126,734

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2014, 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, 2014, 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>100.00 %</u>	

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

**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	\$ 3,734,375	\$ 2,608,516	\$ 1,656,418

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that 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 2015, the Academy's surcharge obligation was \$5,657.

The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$2,860, \$1,934, and \$2,050, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**B. State Teachers Retirement System**

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$11,134, and \$9,740 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 13 - CONTINGENCIES**

**A. Grants and Enrollment**

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements on the financial position of the academy at June 30, 2015.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 13 – CONTINGENCIES – (Continued)**

**B. State Foundation Funding**

The Ohio Department of Education (ODE) conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As of the date of the report, ODE has made two adjustments, the first enrollment adjustment of \$19,763 has been reported as an intergovernmental receivable and the second adjustment has minimal impact on the financial statements.

**C. Litigation**

The Academy is not involved in any additional litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2015.

**NOTE 14 - OPERATING LEASE - LESSEE DISCLOSURE**

The Academy leases certain office equipment from a lessor pursuant to an operating lease that expires in September 2016. Terms of the lease require monthly rental payments of \$471 in addition to a per-copy charge.

**NOTE 15 - TAX EXEMPT STATUS**

The Academy was approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.

The Academy's Form 990, Return of Organization Exempt From Income Tax, for the years ending June 30, 2015, 2014 and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
Academy's proportion of the net pension liability	0.00390600%	0.00390600%
Academy's proportionate share of the net pension liability	\$ 197,680	\$ 232,277
Academy's covered-employee payroll	\$ 113,485	\$ 95,643
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.19%	242.86%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
Academy's proportion of the net pension liability	0.01072428%	0.01072428%
Academy's proportionate share of the net pension liability	\$ 2,608,516	\$ 3,107,247
Academy's covered-employee payroll	\$ 1,095,731	\$ 974,031
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	319.01%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Academy's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 20,205	\$ 15,729	\$ 13,237
Contributions in relation to the contractually required contribution	<u>(20,205)</u>	<u>(15,729)</u>	<u>(13,237)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 153,300	\$ 113,485	\$ 95,643
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 16,299	\$ 28,167	\$ 22,892	\$ 13,733	\$ 14,466	\$ 8,173	\$ 5,465
<u>(16,299)</u>	<u>(28,167)</u>	<u>(22,892)</u>	<u>(13,733)</u>	<u>(14,466)</u>	<u>(8,173)</u>	<u>(5,465)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
\$ 121,182	\$ 224,081	\$ 169,069	\$ 139,563	\$ 147,312	\$ 76,526	\$ 51,654
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACADEMY CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 163,227	\$ 142,445	\$ 126,624
Contributions in relation to the contractually required contribution	<u>(163,227)</u>	<u>(142,445)</u>	<u>(126,624)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 1,165,907	\$ 1,095,731	\$ 974,031
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 122,351	\$ 97,651	\$ 98,703	\$ 102,882	\$ 69,228	\$ 69,910	\$ 76,685
<u>(122,351)</u>	<u>(97,651)</u>	<u>(98,703)</u>	<u>(102,882)</u>	<u>(69,228)</u>	<u>(69,910)</u>	<u>(76,685)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 941,162	\$ 751,162	\$ 759,254	\$ 791,400	\$ 532,523	\$ 537,769	\$ 589,885
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms*: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions*: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms*: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions*: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	\$ 31,564	\$ 31,564
National School Lunch Program	10.555	<u>75,289</u>	<u>75,289</u>
Total Child Nutrition Cluster		<u>106,853</u>	<u>106,853</u>
<b>Total U.S. Department of Agriculture</b>		<u>106,853</u>	<u>106,853</u>
<b><u>U.S. Department of Education</u></b>			
<i>Direct Awards</i>			
Charter School Climate Change	84.282C	111,463	120,429
Charter School Equality Project	84.282P	<u>32,450</u>	<u>32,532</u>
<b>Total Direct Awards</b>		<u>143,913</u>	<u>152,961</u>
<i>Passed through the Ohio Department of Education</i>			
Twenty-First Century Community Learning Centers	84.287	<u>97,928</u>	<u>109,877</u>
Title I, Part A Cluster - Grants to Local Educational Agencies	84.010	<u>151,623</u>	<u>153,712</u>
Special Education Grants	84.027	<u>59,857</u>	<u>62,566</u>
Improving Teacher Quality	84.367	<u>286</u>	<u>0</u>
Education Jobs	84.410	<u>486</u>	<u>0</u>
<i>Total Passed Through Ohio Department of Education</i>		<u>310,180</u>	<u>326,155</u>
<b>Total U.S. Department of Education</b>		<u>454,093</u>	<u>479,116</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 560,946</u>	<u>\$ 585,969</u>

See accompanying notes to the Schedule of Federal Awards.

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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NOTE 1: **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE 2: **CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Arts and College Preparatory Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Arts and College Preparatory Academy, Ohio's basic financial statements and have issued our report thereon dated December 16, 2015, wherein we noted that the Academy adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at July 1, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Arts and College Preparatory Academy, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arts and College Preparatory Academy, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arts and College Preparatory Academy, Ohio's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Arts and College Preparatory Academy, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

**James G. Zupka,**  
**CPA, President**  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2016.01.29 09:31:49 -05'00'

January 26, 2016

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the Arts and College Preparatory Academy, Franklin County, Ohio's (the Academy), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Arts and College Preparatory Academy, Franklin County, Ohio's major federal programs for the year ended June 30, 2015. The Arts and College Preparatory Academy, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Arts and College Preparatory Academy, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the Arts and College Preparatory Academy, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the Arts and College Preparatory Academy, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

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

**James G. Zupka,**

**CPA, President**

James G. Zupka, CPA, Inc.

Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James  
G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2016.01.29 09:32:08 -05'00'

January 26, 2016

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2015**

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**1. SUMMARY OF AUDITOR’S RESULTS**

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Program’s Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list):  Charter School Climate Change - CFDA #84.282C Charter School Equality Project - CFDA #84.282P	
2015(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2015(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

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The prior audit report, as of June 30, 2014, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



# Dave Yost • Auditor of State

**ARTS & COLLEGE PREPARATORY ACADEMY**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 21, 2016**