

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

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**





# Dave Yost • Auditor of State

Board of Directors  
Arts and College Preparatory Academy  
4401 Hilton Corporate Drive  
Columbus, Ohio 43232

We have reviewed the *Independent Auditor's* Report of the Arts and College Preparatory Academy, Franklin County, prepared by Hemphill & Associates, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

May 7, 2012

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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Arts and College Preparatory Academy (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Arts and College Preparatory Academy, as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**INDEPENDENT AUDITOR'S REPORT  
(CONTINUED)**

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Columbus, Ohio  
March 30, 2012

A large, faint watermark of the company name 'Hemphill &amp; Associates' is visible in the background. To the right, there is a handwritten signature in black ink that reads 'Hemphill &amp; Associates'.

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
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, 2011. 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 2011 are as follows:

- In total, net assets increased \$278,647 from fiscal year 2010.
- The Academy had operating revenues of \$1,764,284 and operating expenses of \$2,180,096 during fiscal year 2011.

The Academy also had \$795,088 in non-operating revenues and \$100,629 in non-operating expenses during fiscal year 2011.

**Using these Basic Financial Statements**

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

**Reporting the Academy Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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UNAUDITED

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 10-23 of this report.

The table below provides a summary of the Academy's net assets at June 30, 2011 and June 30, 2010.

<b>Net Assets</b>		
	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets	\$ 915,921	\$ 600,438
Capital assets, net	2,146,937	1,972,553
Total assets	3,062,858	2,572,991
<b>Liabilities</b>		
Current liabilities	199,720	178,588
Long-term liabilities	1,655,314	1,465,226
Total liabilities	1,855,034	1,643,814
<b>Net Assets</b>		
Invested in capital assets	491,623	507,327
Restricted	252,840	105,612
Unrestricted	463,361	316,238
Total net assets	\$ 1,207,824	\$ 929,177

**Assets**

Over time, net assets can serve as a useful indicator of the Academy's financial position. At June 30, 2011, the Academy's assets exceeded liabilities by \$1,207,824, an increase of \$278,647 over fiscal year 2010. Of this total, \$463,361 is unrestricted.

At year-end, capital assets represented 70.10% of total assets, compared to 76.67% in fiscal year 2010. Capital assets at June 30, 2011 consisted of land, building, lease holder improvements and furniture, fixtures and equipment. Capital assets are used to provide services to the students and are not available for future spending. The Academy purchased a building during fiscal year 2010 and began renovations that were completed in fiscal year 2011. The related land and building improvements related to the purchase at June 30, 2011 amounted to \$419,619 and \$1,694,564, respectively.

**Liabilities**

Current liabilities increased by \$21,132 from fiscal year 2010 to 2011, which is due primarily to the \$14,159 intergovernmental payable reported in fiscal year 2011 as a result of the Ohio Department of Education (ODE) enrollment review, and increased accrued wages and benefits. For fiscal year 2010, \$4,375 was due to ODE as a result of the ODE enrollment review.

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED

The Academy reported long-term liabilities in the amount of \$1,655,314 for a loan that was issued to finance the purchase and renovation of real property that is the new school building.

The table below shows the changes in net assets for the fiscal year 2011 and fiscal year 2010.

<b>Change in Net Assets</b>		
	<b>2011</b>	<b>2010</b>
<b>Operating Revenues:</b>		
State foundation	\$ 1,363,345	\$ 1,513,779
Special education weighted funding	109,432	157,477
Tuition and fees	32,835	-
Charges for services	4,649	733
Rental income	130,373	19,292
Services provided to other entities	105,281	-
Other revenues	18,369	13,086
Total operating revenue	1,764,284	1,704,367
<b>Operating Expenses:</b>		
Salaries and wages	1,082,988	930,187
Fringe benefits	293,607	265,361
Purchased services	529,853	500,188
Materials and supplies	128,017	46,926
Other	95,341	53,506
Depreciation	50,290	26,618
Total operating expenses	2,180,096	1,822,786
<b>Non-operating revenues (expenses):</b>		
Federal, state and local grants	794,728	539,802
Interest income	360	4,545
Contributions and donations	-	12,860
Interest expense	(100,629)	(7,759)
Total non-operating revenues (expenses)	694,459	549,448
Change in net assets	278,647	431,029
Net assets at the beginning of the year	929,177	498,148
Net assets at the end of the year	\$ 1,207,824	\$ 929,177

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 less State foundation and special education weighted funding revenues during fiscal year 2011 due to a decrease in student enrollment. The Academy received Federal grant monies through the American Recovery and Reinvestment Act (ARRA) and the Education Jobs and

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

Race to the Top programs which resulted in an increase in Federal and State grant revenue during fiscal year 2011.

**Capital Assets**

At June 30, 2011, the Academy had \$2,146,937 invested in land, building improvements, lease holder improvements and furniture, fixtures and equipment. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

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

	Governmental Activities	
	2011	2010
Land	\$ 419,619	\$ 419,619
Construction in progress	-	1,474,090
Building improvements	1,673,382	-
Furniture, fixtures and equipment	34,326	55,932
Leaseholder improvements	19,610	22,912
Total capital assets	\$ 2,146,937	\$ 1,972,553

**Debt Administration**

The Academy entered into a loan agreement to borrow \$1,686,000 to finance the purchase and renovation of real property. At June 30, 2011, the balance of the loan is \$1,655,314 and is reported a long-term liability on the statement of net assets. See Note 7 to the basic financial statements for detail on the loan.

**Current Financial Related Activities**

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

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

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Dan Lamb, Treasurer, 4401 Hilton Corporate Drive, Columbus, Ohio 43232.

**ARTS & COLLEGE PREPARATORY ACADEMY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$ 704,719
Receivables:	
Intergovernmental	194,872
Prepayments	16,330
Total Current Assets	<u>915,921</u>

**Non-Current Assets:**

Land and Construction in Progress	419,619
Depreciable Capital Assets, Net	1,727,318
Total Non-Current Assets	<u>2,146,937</u>
<b>TOTAL ASSETS</b>	<u><u>\$3,062,858</u></u>

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 17,496
Accrued Wages and Benefits	137,741
Pension Obligation Payable	19,740
Intergovernmental Payable	24,743
Total Current Liabilities	<u>199,720</u>

**Non-Current Liabilities:**

Due Within One Year	42,786
Due in More Than One Year	1,612,528
Total Non-Current Liabilities	<u>1,655,314</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,855,034</u></u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	491,623
Restricted:	
Restricted for State Funded Programs	11,550
Restricted for Federally Funded Programs	52,439
Restricted for Capital Projects	83,847
Restricted for Other Purposes	105,004
Unrestricted	463,361
<b>TOTAL NET ASSETS</b>	<u><u>\$1,207,824</u></u>

**ARTS & COLLEGE PREPARATORY ACADEMY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>OPERATING REVENUES</b>	
State Foundation	\$1,363,345
Special Education Weighted Funding	109,432
Tuition and Fees	32,835
Charges for Services	4,649
Rental Income	130,373
Services Provided to Other Entities	105,281
Other Revenues	18,369
<b>TOTAL OPERATING REVENUES</b>	<u>1,764,284</u>
<b>OPERATING EXPENSES</b>	
Salaries and Wages	1,082,988
Fringe Benefits	293,607
Purchased Services	529,853
Materials and Supplies	128,017
Other Operating Expenses	95,341
Depreciation	50,290
<b>TOTAL OPERATING EXPENSES</b>	<u>2,180,096</u>
<b>OPERATING LOSS</b>	<u>(415,812)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal, State, and Local Grants	794,728
Interest Income	360
Interest Expense	(100,629)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>694,459</u>
Change in Net Assets	278,647
Net Assets at Beginning of Year	929,177
<b>Net Assets at End of Year</b>	<u><u>\$1,207,824</u></u>

See Accompanying Notes to the Financial Statements

**ARTS & COLLEGE PREPARATORY ACADEMY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Cash Flows from Operating Activities:</b>	
Cash Received from State Foundation	\$1,373,129
Cash Received from Special Education Weighted funding	109,432
Cash Received from Tuition and Fees	32,835
Cash Received from Charges for Services	4,649
Cash Received from Rental Income	130,373
Cash Received from Other Entities	105,281
Cash Received from Other Operations	18,369
Cash Payments for Salaries and Wages	(1,055,644)
Cash Payments for Fringe Benefits	(291,265)
Cash Payments for Contractual Services	(519,138)
Cash Payments for Materials and Supplies	(134,933)
Cash Payments for Other Expenses	(100,198)
<b>Net Cash Used in Operating Activities</b>	<u>(327,110)</u>
 <b>Cash Flows from Non-Capital Financing Activities:</b>	
Cash Received from Federal, State and Local Grants	637,095
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>637,095</u>
 <b>Cash Flows from Capital and Related Financing Activities:</b>	
Loan Issuance	220,774
Principal Payment on Loan	(30,686)
Interest Expense	(100,629)
Acquisition of Capital Assets	(224,674)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(135,215)</u>
 <b>Cash Flows from Investing Activities:</b>	
Interest Received	360
<b>Net Cash Provided by Investing Activities</b>	<u>360</u>
 Net Increase in Cash and Cash Equivalents	 175,130
Cash and Cash Equivalents at Beginning of Year	529,589
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 704,719</u></u>

<b>Reconciliation of Operating loss to net Cash Used in Operating Activities:</b>	
Operating Loss	\$ (415,812)
Adjustments:	
Depreciation	50,290
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	4,089
Increase in Pre-Payments	(2,204)
Increase in Accounts Payable	5,189
Increase in Accrued Wages and Benefits	19,545
Increase in Intergovernmental Payable	11,076
Increase in Pension Obligation Payable	717
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (327,110)</u></u>

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

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

Effective May 1, 2006, the Lucas County Educational Service Center assigned their remaining rights and responsibilities under the sponsorship agreement to St. Aloysius. St. Aloysius (the Sponsor) is operating with a new five-year agreement. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy operates under the direction of a five-member Board of Trustees. The Board of Trustees is responsible for carrying out the provisions of the contract, which include, but are not limited to, State mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy’s one instructional/support facility staffed by 4 non-certified and 22 certified full time teaching personnel, who provide services to 249 students.

Effective May 2011, a new sponsorship agreement was signed with St. Aloysius. The new agreement is for a period of five (5) years and expires June 30, 2015.

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

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided it does not conflict with GASB pronouncements. The more significant policies are described below.

**A. Basis of Presentation**

The Academy’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation)

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 and all liabilities are included on the statements of net assets. Net assets are segregated into investments in capital assets and unrestricted components.

**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 nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. 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.

**E. 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.

The Academy had no investments during fiscal year 2011.

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**F. Capital Assets**

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

All reported capital assets 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	40 years
Leasehold improvements	15 years
Furniture, Fixtures and Equipment	3 - 5 years

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**H. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program, Federal Education Stabilization Program, State and Federal Food Reimbursement grants, EMIS, Title VI-B, Title VI-B ARRA, Title II-D, Title I, Title I ARRA, Title IV-A, Improving Teacher Quality and Learn & Serve. Revenues received from the State Foundation and Federal Education Stabilization Programs are recognized as operating revenues in the accompanying financial statements. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal, State and local grant revenue for fiscal year 2011 was \$794,728.

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)</b>
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**I. Accrued Liabilities**

The Academy has recognized certain expenses due but unpaid as of June 30, 2011. These expenses are reported as accrued liabilities in the accompanying financial statements.

**J. Prepayments**

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

**K. 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.

**L. Economic Dependency**

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

**M. Subsequent Events**

Management has evaluated all activity of the Academy through March 30, 2012, the date the financial statements were available to be issued. No subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

**N. Fair Value of Financial Instruments**

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization'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 Organization's ability to obtain similar financing with similar terms.

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2011, the carrying amount of all Academy deposits was \$704,719. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$480,993 of the Academy's bank balance of \$730,993 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

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

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>NOTE 5 - RECEIVABLES</b>
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Receivables at June 30, 2011 consisted of intergovernmental receivables arising from grants and entitlements receivable. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

<u><b>Intergovernmental Receivables:</b></u>	<u>Amount</u>
SERS Refund	\$ 1,603
Title VI-B	14,681
Title I	25,739
Title I ARRA	7,620
Improving Teacher Quality	1,098
Learn & Serve	1,906
21st Century	84,474
Safe and Drug Free	25
Education Jobs	43,186
Race to the Top	14,540
Total Intergovernmental Receivables	<u>\$ 194,872</u>

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 419,619	\$ -	\$ -	\$ 419,619
Construction in progress	1,474,090	220,474	(1,694,564)	-
Total capital assets, not being depreciated	1,893,709	220,474	(1,694,564)	419,619
Capital assets, being depreciated:				
Buildings and improvements	-	1,694,564	-	1,694,564
Furniture, fixtures and equipment	149,119	4,200	-	153,319
Leasehold improvements	49,529	-	-	49,529
Total capital assets being depreciated	198,648	1,698,764	-	1,897,412
Less: accumulated depreciation				
Buildings and improvements	-	(21,182)	-	(21,182)
Furniture, fixtures and equipment	(93,187)	(25,806)	-	(118,993)
Leasehold improvements	(26,617)	(3,302)	-	(29,919)
Total accumulated depreciation	(119,804)	(50,290)	-	(170,094)
Capital assets, net	\$ 1,972,553	\$ 1,868,948	\$(1,694,564)	\$ 2,146,937

**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% to 7.5% secured by the real property at 4401 and 4501 Hilton Corporate Drive. During the construction period, or until the permanent loan is in place, interest was at the going rate of 7% per annum or less.

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

During fiscal year 2011 the loan amount was finalized in the amount of \$1,686,000 with an interest rate of 4.25%. The loan has been reported on the statement of net assets as a long-term liability with \$42,786 due within one year and \$1,612,528 due in more than one year.

The Academy made principal and interest payments of \$30,686 and \$100,629, respectively, during fiscal year 2011.

A summary of the loan activity for fiscal year 2011 follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Loan payable	\$ 1,465,226	\$ 220,774	\$ (30,686)	\$ 1,655,314	\$ 42,786

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

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 42,786	\$ 112,100	\$ 154,886
2013	46,116	108,771	154,887
2014	49,368	105,519	154,887
2015	52,850	102,037	154,887
2016	1,464,194	25,140	1,489,334
Total	<u>\$ 1,655,314</u>	<u>\$ 453,567</u>	<u>\$ 2,108,881</u>

**NOTE 8 - PURCHASED SERVICES**

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	\$ 382,774
Property services	25,359
Travel and meetings	2,509
Communications	9,931
Utilities	64,703
Contracted trade	44,274
Transportation	303
Total	<u>\$ 529,853</u>

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>NOTE 9 - RISK MANAGEMENT</b>
---------------------------------

**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 for from the prior year.

For the fiscal year ended 2011, the Academy contracted with Philadelphia Insurance Company and had the following insurance coverage:

<b>Coverage</b>	<b>Limits of Coverage</b>
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
Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000
Retention	10,000
Workers compensation and employers liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000
Other:	
Property	1,000,000
Crime	10,000

**B. Workers' Compensation**

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

**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 (medical, dental and/or vision).

**ARTS AND COLLEGE PREPARATORY ACADEMY  
FRANKLIN COUNTY, OHIO  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 10 - FISCAL SERVICES CONTRACT**

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period of twelve months, commencing on July 1, 2010, and ending on June 30, 2011, to provide fiscal, and Comprehensive Continuous Planning consulting services. The Academy paid CSS \$46,326 in service fees for fiscal year 2011.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling 1-800-878-5853. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77% and 0.04% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 2.19% of the 14% employer contribution is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$26,464, \$21,607 and \$12,686, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling 614-227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>NOTE 11 - PENSION PLANS - (Continued)</b>
--

Plan Options - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$97,651, \$98,703 and \$102,882, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>NOTE 12 - POSTEMPLOYMENT BENEFITS</b>
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**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 800-878-5853. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the HealthCare Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,613, \$2,871 and \$7,738, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,703, \$1,285 and \$1,047, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$7,535, \$7,593 and \$7,914, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Academy receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2011.

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Ohio Department of Education overpaid the Academy \$14,159. This amount is reflected as intergovernmental payable on the basic financial statements.

**ARTS AND COLLEGE PREPARATORY ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>NOTE 14 - FEDERAL TAX STATUS</b>
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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.

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

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

We have audited the financial statements of the Arts and College Preparatory Academy (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the school, the School's sponsor, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Columbus, Ohio  
March 30, 2012

*Hemphill & Associates*



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Arts and College Preparatory Academy's (the School) 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 School's major federal programs for the year ended June 30, 2011. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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 School'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. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133  
(continued)**

School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 School'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the school, the School's sponsor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Columbus, Ohio  
March 30, 2012

*Hemphill & Associates*

**ART AND COLLEGE PREPARATORY ACADEMY  
SCHEDULE OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

Federal Grantor / Program Title	CFDA Number	Funding Source / Pass Through Entity	Program Grant #	2011 Federal Expenditures
<b>Department of Agriculture</b>				
National School Lunch Program	10.555			\$ 47,634
<b>Department of Agriculture Total</b>				<u>47,634</u>
<b>Department of Education</b>				
Educational Technology State Grants	84.318			446
Special Education Cluster				
Special Education Grants - ARRA	84.391			17,187
Special Education Grants	84.027			41,037
Special Education Cluster Total				<u>58,224</u>
State Fiscal Stabilization Fund Cluster				
State Fiscal Stabilization Fund - ARRA	84.394	Ohio Department of Education		129,741
State Fiscal Stabilization Fund Cluster Total				<u>129,741</u>
Title I, Part A Cluster				
Title I Grants to Local Education Agencies	84.010			91,245
Title I Grants to Local Education Agencies - ARRA	84.389			42,327
Title I, Part A Cluster Total				<u>133,572</u>
Education Jobs Fund	84.410			2,200
Improving Teacher Quality State Grants	84.367			5,197
Safe and Drug-Free Schools and Communities State Grants	84.186			1,079
State Fiscal Stabilization Fund - Race to the Top				
Incentive Grants - ARRA	84.395			51,023
Twenty-First Community Learning Centers	84.287			102,411
<b>Department of Education Total</b>				<u>483,893</u>
<b>Corporation for National and Community Service Direct Programs</b>				
Learn and Serve America School and Community Based Programs	94.004			14,708
<b>Corporation for National and Community Service Direct Programs Total</b>				<u>14,708</u>
<b>Total Federal Funds Expended</b>				<u>\$ 546,235</u>

**ARTS AND COLLEGE PREPARATORY ACADEMY  
NOTES TO SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>NOTE 1 - BASIS OF PRESENTATION</b>
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The accompanying schedule of expenditures of federal awards includes the federal grant activity of Arts & College Preparatory Academy recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**ARTS AND COLLEGE PREPARATORY ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Summary of Auditors' Results</b>
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Type of financial statement opinion	Unqualified
Material control weaknesses reported at the financial statement level	None
Significant deficiencies reported at the financial statement level	Yes
Reported noncompliance at the financial statement level	Yes
Material internal control weakness conditions reported for major Federal programs	No
Significant deficiencies reported for major Federal programs	No
Type of major programs' compliance opinion	Unqualified
Reportable findings	Yes
Major programs	State Fiscal Stabilization Fund – Education State Grants ARRA (CFDA No. 84.394) State Fiscal Stabilization Fund – Race to the Top Incentive Grant ARRA (CFDA No. 84.395) Title I Grants to Local Education Agencies (CFDA No. 84.010) Title I Grants to Local Education Agencies ARRA (CFDA No. 84.389)
Dollar threshold for Type A/B programs	Type A: Over \$300,000 Type B: All others
Low risk auditee	No

**ARTS AND COLLEGE PREPARATORY ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(continued)**

<b>Finding Related to the Financial Statements</b>
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**Finding 2011-1: Student Withdrawal Documentation**

**Criteria:**

Schools are required to remove students from their enrollment roster by the Ohio Department of Education in a timely manner.

**Condition:**

During our test work related to the removal of students from the enrollment roster, we selected a random sample of students to review the documentation maintained on file by the School in order to determine that the student was timely removed from the enrollment roster. Our review noted two exceptions in the twenty (20) students tested. The exceptions noted were that the School had no documentation on file to prove the withdrawal date of the student. Therefore, we were unable to determine the timeliness in which the student was removed from the enrollment roster.

**Cause:**

Based upon discussion with Management, this condition was considered to be due to human error during the course of a year in which the School's Management underwent significant turnover. The current Management is aware of the requirement and part of our sample was selected after the new Management was installed. No exceptions were noted with the students tested during that period.

**Effect or Potential Effect:**

The State of Ohio provides the School with funding based upon enrollment. If the enrollment is inaccurate, the incorrect amount of funding could be provided to the School.

**Auditee's Response:**

The missing documentation is related to students from the previous school year, when supervisory duties of enrollment and withdrawal were the responsibility of the former Superintendent and the enrollment procedures were lacking oversight. The identified errors were the result of a former employee's poor job performance.

Since that time, a new employee, with previous student enrollment experience has filled that position. This employee has already put in place new procedures of enrollment and withdrawal that will prevent missing documentation in the future. Supervisory duties are now under new management, who are satisfied with the new procedures.

**ARTS AND COLLEGE PREPARATORY ACADEMY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(continued)**

Management also recalls that the two students in question were removed from the school's SIS system in a timely manner, even though the documentation does not reflect that.

**Finding 2011-2: Public Notification of School Board Meetings**

**Criteria:**

The Ohio Revised Code requires that School Board Meetings be open to the public. Part of the requirement is a public notification of the meeting. ACPA's policy is that meeting notices be published in the local newspaper.

**Condition:**

We inquired about the meeting notices being published in local newspapers. We were unable to obtain documentation that such notifications took place.

**Cause:**

Based upon discussion with Management, this condition was the result of believing that the announcing of the meetings on the School's website met the Ohio Revised Code requirement.

**Effect or Potential Effect:**

The School is not compliance with the Ohio Revised Code related to public notification of meetings.

**Auditee's Response:**

New management has committed to publishing notifications of the School Board Meeting schedule in local newspapers at the beginning of each school year, in addition to updating the website at the beginning of each school year. This measure has been enacted for this current school year.

<b>Findings and Questioned Costs for Federal Awards</b>
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None



## Independent Accountant's Report on Applying Agreed-Upon Procedures

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

Effective for fiscal year 2011 school audits, House Bill 19 of the 128<sup>th</sup> General Assembly requires each school district, community (charter) school, and STEM school to incorporate dating violence into its existing policy prohibiting student harassment, intimidation, or bullying. For this purpose, the act explicitly includes violence within a dating relationship as a form of harassment, intimidation, or bullying. In effect, then, the policy would cover dating violence that occurs on school property or at school-sponsored events. The district or school must update its policy within six months after the act's effective date. H.B. 19 was effective on March 28, 2010, accordingly, each board shall update the policy adopted to include violence within a dating relationship by September 28, 2010.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board of Directors of Arts and College Preparatory Academy, solely to assist the Board in evaluating whether Arts and College Preparatory Academy incorporated dating violence into its existing anti-harassment policies.

Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Directors of Arts and College Preparatory Academy. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

- We noted the Board of Director of Arts and College Preparatory Academy anti-harassment policy included dating violence. The policy was in place before September 28, 2010.
- We read the policy, noting it clearly defined dating violence and covered dating violence that occurs on school property or at a school-sponsored event.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the dating violence policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Columbus, Ohio  
March 31, 2012

A handwritten signature in blue ink that reads "Hemphill &amp; Associates". The signature is written in a cursive style.



# Dave Yost • Auditor of State

ARTS AND COLLEGE PREPARATORY ACADEMY

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 22, 2012