



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Change in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Schedule of Prior Audit Findings.....	32
Independent Accountants' Report on Applying Agreed-Upon Procedure	33

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of A+ Children's Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the A+ Children's Academy, Franklin County as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Academy has suffered losses from operations and has a net position deficiency of \$95,067. Note 14 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 31, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The discussion and analysis of A+ Children's Academy (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statement and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be present and is presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal year 2014 are as follows:

- Fiscal year 2014 was the second year for the Academy and we were able to provide service to 107 students, which have increased to over 125 as of January 2015.
- Total net position of the Academy was (\$95,067) resulting in the need to obtain a short term note to fund initial cash flow.
- The Academy received \$131,474 from federal and state grants which is an increase of \$100,203 over fiscal year 2013.

Using this Financial Report

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

Statement of Net position

The statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the Academy's net position, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(CONTINUED)**

Table 1 provides a summary of the Academy's net position for fiscal years 2014 and 2013.

	2014	2013
Assets		
Current and other assets	\$30,698	\$33,730
Liabilities		
Current Liabilities	125,765	74,995
Net Position		
Unrestricted	(\$95,067)	(\$41,265)

Fiscal year 2013 was the Academy's first year. The Academy has seen the FTE counts increase for fiscal year 2014 and has entered into the federal grant programs. This resulted in higher receivables but the cash balance dropped for fiscal year 2014 by \$22,736.

The majority of the current liabilities related to the note payable (\$71,755) and accounts payable (\$35,755). The Academy's net position is currently in a deficit position from the recognition of liabilities and mainly the note payable.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**TABLE 2
CHANGE IN NET POSITION**

	2014	2013
Operating Revenues:		
Foundation payments	\$792,434	\$538,381
Other operating revenues	15,812	2,951
Non Operating Revenues		
State and federal grants	131,474	31,271
Total Revenue	939,720	572,603
Operating Expenses:		
Salaries	419,546	222,039
Fringe Benefits	60,111	40,953
Purchased Services	456,701	190,080
Materials and Supplies	41,885	125,720
Other Expenses	5,060	30,738
Interest and Fiscal Charges	10,219	4,338
Total Expenses	993,522	613,868
Changes in net position	(53,802)	(41,265)
Net position, beginning of year	(41,265)	0
Net position, end of year	(\$95,067)	(\$41,265)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014
(CONTINUED)**

The majority of the Academy's revenue comes from the state foundation payments (84%). The foundation revenue is expected to increase over 15% in fiscal year 2015 with the higher FTE counts. Also, the Academy was a full participant in the title program resulting in higher state and federal grant revenue.

Total expenses for the fiscal year exceeded the revenue for the Academy. This resulted in the Academy's need for the note payable to help cover cash flow needs. The Academy has minimal staff and will work to increase that as the funding levels rise. The salaries and benefits only make up 48% (up from 43% in fiscal year 2013) of the total expenses which is significantly below the averages seen at other schools.

Capital Assets

At June 30, 2014, the Academy had no capital assets.

Debt

At June 30, 2014, the Academy had an outstanding note payable totaling \$71,755. See note 11 to the financial statements for additional information on the Academy's debt. As of September 2014, the note and interest balances were forgiven.

Contacting the Academy

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

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**A+ CHILDREN'S ACADEMY
FRANKLIN COUNTY, OHIO**
**STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 8,721
Intergovernmental receivable	<u>21,977</u>
Total Assets	<u>30,698</u>
Liabilities:	
Current liabilities	
Accounts payable	35,755
Accrued wages and benefits payable	7,811
Intergovernmental payable	2,668
Accrued interest payable	7,776
Note payable	<u>71,755</u>
Total Liabilities	<u>125,765</u>
Net Position:	
Unrestricted	<u>(95,067)</u>
Total Net Position	<u>\$ (95,067)</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating Revenues:	
Foundation payments	\$ 740,092
Special Education	52,342
Classroom fees	2,067
Other operating revenues	<u>13,745</u>
Total operating revenues	<u>808,246</u>
Operating Expenses:	
Salaries	419,546
Fringe benefits	60,111
Purchased services	456,701
Materials and supplies	41,885
Other operating expenses	<u>5,060</u>
Total operating expenses	<u>983,303</u>
Operating Loss	<u>(175,057)</u>
Non-Operating Revenues and Expenses:	
Federal grants	126,124
State grants	5,350
Interest and fiscal charges	<u>(10,219)</u>
Total non-operating revenues and expenses	<u>121,255</u>
Change in net position	(53,802)
Net position at beginning of year	(41,265)
Net position at end of year	<u>\$ (95,067)</u>

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 792,434
Cash received from classroom materials and fees	2,067
Cash received from other operating revenues	13,745
Cash payments for personal services	(479,524)
Cash payments for contract services	(426,516)
Cash payments for supplies and materials	(40,585)
Cash payments for other expenses	(5,060)
Net cash used for operating activities	(143,439)

Cash flows from noncapital financing activities:

Proceeds from notes payable	20,000
Cash received from state and federal grants	111,484
Net cash provided by noncapital financing activities	131,484

Cash flows from capital and related financing activities:

Principal paid on debt obligations	(4,000)
Interest paid on debt obligations	(6,781)
Net cash used by capital and related financing activities	(10,781)

Net change in cash and cash equivalents	(22,736)
Cash and Cash Equivalents at beginning of year	31,457
Cash and Cash Equivalents at end of year	8,721

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(175,057)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Change in assets and liabilities:	
Decrease in accounts receivable	286
Increase in accounts payable	31,200
Increase in accrued wages and benefits	4,126
Decrease in intergovernmental payable	(3,994)
	(3,994)

Net cash used for operating activities	\$ (143,439)
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See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE REPORTING ENTITY

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

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

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

The Board hires the Superintendent, who hires all the other staff, and manages the day-to-day operations of the Academy. The Board controls the Academy's one instructional/support facility staffed by 2 non-certified and 8 certified full time teaching personnel who provide services to 107 students (FTE).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

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

D. Cash

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

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess any capital assets.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	30
Furniture and Equipment	5

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2014 totaled \$923,908.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets (the Academy had none). Net position is reported as restricted when there are limitations imposed on their 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 Academy has none). The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily the State Foundation program, the State Special Education program and specific charges to the students or users of the Academy. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. DEPOSITS

At June 30, 2014, the carrying amount of the Academy's deposits was \$8,721 and the bank balance was \$12,382. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

4. RECEIVABLES

Receivables at June 30, 2014, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Intergovernmental</u>	<u>Amount</u>
Casino Shared Revenues	\$2,610
Title VI-B Grant	10,527
Title I Grant	8,840
Total	<u>\$21,977</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2014, the Academy contracted Coverage provided by Philadelphia Insurance Company includes the following with a \$1,000 deductible in total:

General Liability:	
Per occurrence	\$1,000,000
Personal Injury	1,000,000
Total per year	2,000,000
Rented to You	100,000
Medical expense (per person)	5,000
Business Personal Property	100,000
Educators Professional Liability	1,000,000
Employee Benefits	1,000,000
Errors and Omissions	1,000,000
Vicarious Liability	1,000,000

B. Worker's Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 on SERS' website at www.ohsers.org under Employer/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employee Retirement System (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and benefits is 13.10 percent. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B funds. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014 and 2013 were \$19,891 and \$12,607; 97 percent has been contributed for fiscal year 2014 with 100 percent contributed fiscal year 2013.

B. State Teachers Retirement System

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. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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 2014, plan members were required to contribute 11 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 11 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, 2014 and 2013 were \$31,868 and \$16,354; 99 percent has been contributed for fiscal year 2014 with 100 percent contributed fiscal year 2013. There were no contributions to the DC and Combined Plans for fiscal year 2014.

7. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B

Medicare B plan reimburses Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits 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 premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could go as high as \$335.7 per month depending on their income. SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2014, the actuarial required allocation is 0.76 percent the Academy's contributions for the years ended June 30, 2014 and 2013 were \$1,154 and \$713; respectively, 97 percent has been contributed for fiscal year 2014 with 100 percent contributed fiscal year 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides 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 the fiscal year June 30, 2014, the minimum compensation level was established at \$20,250. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the year ended June 30, 2014 and 2013 was \$213 and \$154; respectively, 97 percent has been contributed for fiscal year 2014 with 100 percent contributed fiscal year 2013.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health 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 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 2014, 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, 2014 and 2013 were \$2,451 and \$1,258; respectively; 99 percent has been contributed for fiscal year 2014 with 100 percent contributed fiscal year 2013.

8. OTHER EMPLOYEE BENEFITS

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

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. PURCHASED SERVICES

For the period July 1, 2013 through June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$214,110
Food Service	86,840
Communications	48,536
Property Services	67,768
Utilities	21,022
Other	18,425
Total Purchased Services	\$456,701

11. NOTES PAYABLE

The changes in the Academy's note obligations during the year consist of the following:

	Obligation Outstanding 7/01/13	Additions	Reductions	Obligation Outstanding 6/30/14	Amounts Due in One Year
Note Payable	\$55,755	\$20,000	\$4,000	\$71,755	\$71,755

The Academy entered into a promissory note with Ron and Barb Sams, owners of the Academy's Management Company, to help with initial cash flow needs of the Academy. The note accrues interest at a five percent rate with the first payment starting in January 2013. The note is amortized over a 120 month period but there is no set payment schedule and the note has a provision it could be called immediately; therefore, the obligation is reported as a current liability.

12. MANAGEMENT COMPANY – SCIOTO ACADEMIC MANAGEMENT SERVICES, LLC

The Academy entered into a contract with Scioto Academic Management Services, LLC (SAMS) to provide management services to manage the business and overall operation of the Academy. For fiscal year 2014, the Academy paid \$41,000 in rental payment to SAMS for use of the facility. The contract has a provision for the Academy to pay twenty percent of foundation revenues for management services. There were no payments under that provision during fiscal year 2014. The contract terms are good for two years from September 1, 2012.

13. SPONSORSHIP- OHIO DEPARTMENT OF EDUCATION

The Academy was under the Ohio Department of Education as its sponsor and oversight services as required by law. The Academy pays the Sponsor three percent of State Aid. Sponsorship fees are calculated as three percent of state funds received by the Academy from the State of Ohio. For the fiscal year ended June 30, 2014, sponsorship fees totaled \$20,614.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. MANAGEMENT PLAN

The Academy is committed to improving their fund balance during fiscal years 2014 and 2015. First, the Academy will utilize all Comprehensive Continuous Improvement Planning (CCIP) dollars as effectively as possible. For fiscal year 2014, the Academy received \$48,460 in actual CCIP grant revenue and was able to carryover \$52,159 into fiscal year 2015. The Academy also increased the FTE counts from 77.83 in fiscal year 2013 to 106.55 in fiscal year 2014 and currently 125.28 in fiscal year 2015 as of the January 2015 information. Finally, the Academy will operate as efficiently as possible and continue to be very prudent with the expenditures.

15. SUBSEQUENT EVENTS

For fiscal year 2015, the Academy received \$75,738 of federal awards from the CCIP.

As of September 30, 2014, the Academy's Management Company, Samkel, Inc, has forgiven any outstanding loans provided between May 1, 2012 and January 1, 2014.

As of July 01, 2014 the lease between the Academy's Management Company, Samkel, Inc, was amended from a 2-year lease to a 3-year lease. The rent also increased from \$4,000 per month to \$5,000 per month.

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Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities, of A+ Children's Academy, Franklin County, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 31, 2015; wherein we noted the Academy is experiencing certain financial difficulties.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-003 through 2014-006.

Academy's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

July 31, 2015

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014**

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

FINDING NUMBER 2014-001

Purchases – Material Weakness

The Academy has a complex financial accounting structure. They contract with DCW Financial Services to maintain their accounting records, perform bank reconciliations and provide a licensed School Treasurer to the Academy. When a purchase is required, a requisition is completed and sent to DCW Financial Services to be compared to the budget. If adequate funds are available, the requisition is approved and the purchase is completed by the employees of the Academy. When the product or service is received, an employee verifies the purchase is substantially complete before the invoice is approved for payment. Invoices are provided to the Academy's Board Treasurer (the Academy's authorized signatory), who manually prepares and signs a check for payment. Invoices are maintained by Academy administration at the Academy, filed by check number. Copies of the written checks are sent to DCW Financial Services to be input into the Academy's electronic accounting system.

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

- 15 expenditures were classified incorrectly on the financial statements
- 1 expenditure was held for three months prior to issuance
- 7 instances existed where the check number on the check did not match the check number on the Check Register
- 1 late payment which resulted in late fees of \$2
- 30 expenditures were obligated prior to a verification of the availability of funds

Failure to follow the requisition process, verify purchases or services have been completed or failure to properly record the Academy's financial activity could cause errors in financial statements, negative net position, or the Academy to pay for items or services the Academy did not actually receive.

We recommend the Academy review their financial accounting structure to help ensure their intended financial controls are in place and operating effectively. We also recommend a supervisor approve a purchase of goods or services for payment by stamping the invoice "OK to pay" and initialing the invoice prior to actual payments. Evidence of these approvals should be maintained by the Academy in an organized manner so records may be easily reviewed upon request.

Official's Response:

When developing plans for the foundation for a new community public school, A+ Children's Academy, it was the goal of Dr. Sams and Mrs. Sams to create a secure and sound structure to protect the school from fraud. In order to ensure this goal, a CPA firm, Donohoo, Cupp, and Associates, were contacted and their assistance was requested. A contract agreement between the CPA firm and A+ Children's Academy Board was signed in 2012. The responsibilities of the CPA firm included the oversight of the A+ Children's Academy activities related to financial matters and various reporting requirements of the State. Each month the Board and the Scioto Academy Management Services, LLC receive a full disclosure of the school's operations.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-001 (Continued)

Purchases – Material Weakness (Continued)

It has been recommended by Dr. Sams and Mrs. Sams for the board to keep this agreement (or a similar agreement) with a CPA firm as long as the school exists. It may appear to be a "complex financial accounting structure", but to us and the Board, it provides a new school the assurance that best practices of being accountable to the State of Ohio and to the clients we serve are being followed. Processes have been implemented to ensure the material weaknesses noted are corrected. Going forward, bank reconciliations are being completed through the USAS system and all accounts payable are current as of the date of this response.

FINDING NUMBER 2014-002

Accounting System – Material Weakness

Ohio Admin. Code § 117-2-02(D) and (E) Accounting records states in part, "All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Academy used the MEC USAS software to keep track of receipt and expenditure postings. However, the Academy also maintained and relied on a manual receipt and disbursement ledger. The manual ledgers were maintained by the Board Treasurer and the Academy Accountant. The manual ledgers did not maintain receipt or disbursement code classifications. The manual expenditure ledgers prepared by the Academy are not reconciled to the USAS reports.

Failure to properly classify receipts and expenditures could result in inaccurate financial statements. The use of two unreconciled accounting systems creates inefficiencies within the financial operations of the Academy which can lead to duplicate entries, mis-postings, incomplete accounting records and could provide unreliable information to those charged with governance.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-002 (Continued)

Accounting System – Material Weakness (Continued)

We recommend the Academy utilize an accounting system which adheres to guidelines and requirements set forth in Ohio Admin. Code § 117-02(D) and (E).

Official's Response:

In regards to the "improperly recording expenditures..." we appreciate the auditors bringing these deficiencies to our attention. This audit covered our second year of operation. Being a new school, everyone involved in the school has been learning by attending State meetings, reading the ORCC requirements regarding Community Public Schools, and through the guidance provided by our State sponsor. The financial accounting structure is reviewed continually. Due to the information learned, during the third year of operation better methods of operational controls have been implemented. The USAS system is currently being fully utilized as A+ Children's Academy's accounting system.

FINDING NUMBER 2014-003

Maintaining Proper Records – Non-Compliance

Ohio Revised Code § 149.351 provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions.

We noted following instances when records were not properly maintained by the Academy:

1. Invoices of six expenditures were not maintained to support checks issued to vendors.
2. The Academy did not maintain Board approvals of employee salary and hourly pay rates. These amounts were also not maintained within Board minutes.
3. We noted three instances when employee time cards were not maintained.

Failure to maintain adequate support for expenditures could result in expenditures that are not for a proper public purpose and errors to occur within the financial statements.

We recommend the Academy maintain supporting documentation for all expenditures. Also, Board approval of all expenditures regarding employee pay rates should be maintained in each employee's personnel file and/or documented in the minutes.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-003 (Continued)

Maintaining Proper Records – Non-Compliance (Continued)

Official's Response:

New processes are being implemented in fiscal year 2015 including filtering all transaction through one individual which will assist in correcting these weaknesses. All current year employment contracts and updated pay rates have been fully documented in the current years Board Minutes.

FINDING NUMBER 2014-004

Ethics Referrals – Non-Compliance

Ohio Rev. Code § 2921.42 (A) states, in part, that no public official shall knowingly do any of the following:

- (1) Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest;
- (4) Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

The following issues were noted during the audit:

1. The Superintendent, Melinda Hardgrow, is the daughter of the owners of the Management Company, Ron and Barb Sams. Board policies indicated that all employees are to be hired by the Board. However, there is no approval in fiscal year 2013 minutes for her hiring. During the fiscal year 2014 minute review, her Superintendent contract was renewed at the July 2013 meeting. However, we are unable to obtain a contract between her and the school.
2. The Academy paid Skip Sams, son of Ron and Barb Sams, \$300 for consulting services related to musical education.
3. Ron Sams, owner of the management company has the ability to sign the Academy's checks.
4. The Academy purchases food service items from the Children's Academy, another business owned by Ron and Bard Sams. Amounts paid to the management company are still less than 20% allowed by the Ohio Rev. Code. The amount paid to SAMKEL Inc., DBA Children's Academy during the year was \$96,916.
5. The Academy rents property from Ron & Barb Sams, owners of the management company at a rate of \$4,000 per month. The school actually paid \$41,000 in rent payments to Mr. Sams.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2014-004 (Continued)

Ethics Referrals – Non-Compliance (Continued)

6. Sherri Stone, Secretary for the A+ Children's Academy is an employee of Ron and Barb Sams' private school, Children's Academy. Ms. Stone voted on the approval of contracts with the Management Company and Children's Academy. We identified no checks issued to board members for their services.

The Academy's administration and the Management Company were comingled and there were instances where the Management Company benefitted at the expense of the Academy. The arrangement between the Management Company and the Academy is also in violation of Ohio Rev. Code §2921.42 as the management at the Academy has an interest in the affairs of the Management Company.

Failure to ensure Academy management is independent of the Management Company and all other vendors could result in the Academy entering into contracts that might not be in the best interest of the Academy or the attending students.

We recommend the Academy take appropriate steps to verify that its management is independent of the Management Company and all other vendors and policies and procedures are in place to detect and appropriately address any conflict of interest.

These matters will be referred to the Ohio Ethics Commission.

Official's Response:

Regarding the issue of Melinda Hardgrow being the daughter of Dr. Sams and Mrs. Sams, Mrs. Hardgrow was hired by the Board. The Scioto Academic Management Services Co. and the A+ Children's Academy board are "arms length" entities. Mrs. Hardgrow has been in the school business for fifteen years. She has been an outstanding community leader in the leadership of the local civic associations and the Columbus Area Commissions. She is well known and highly respected by Columbus and State government leaders. Ms. Hardgrow's current contract has been approved by the Board and documented in the Board minutes.

In regards to Skip Sams' involvement with A+ Children's Academy being Dr. Sams and Mrs. Sams son, Skip is the founder of one of A+ Children's Academy's most valuable programs, PERFORMING ARTS. Skip has a Music, B.A. from the La Verne University of California and a Master of Music in Instrumental Conducting from the University of Miami. He has owned and operated his own music company in Chicago Illinois. He is well known in Columbus working with Columbus Jazz Arts Co. and many other music entities throughout the US. His work in these areas for A+ Children's Academy has been almost entirely without any cost to the school. He also writes almost all of the school's advertisements. The expertise of Skip Sams is sought for many endeavors by the school's staff and Board. The Board has approved and documented in the minutes, similar services to be provided by Mr. Sams in the current school year.

The A+ Children's Academy (the Academy) entered into a supplemental contract with Michael Ashmore, A+ Children's Academy Treasurer, to perform duties as the Grant Coordinator for all Comprehensive Continuous Improvement Plan (CCIP) grants. Compensation for the performance of duties was 5% of all revenues received from all CCIP grants or a minimum of \$5,000. The term of the contract was from 08/14/13 - 06/20/14.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-005

Finding for Recovery Repaid Under Audit – Non-Compliance

The Academy received \$67,825.69 in from CCIP grants during the contract period. Five percent of \$67,825.69 is \$3,391.29. Therefore, the Treasurer was entitled to compensation of \$5,000 for his services as the Grant Coordinator. The Treasurer was compensated \$5,840.73 for his duties as the Grant Coordinator. Therefore, the Treasurer was over-compensated for his Grant Coordinator duties in the amount of \$840.73.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d.228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Ashmore in this supervisory capacity for assuring that all such payments are in accordance with his contract, jointly and severally in the amount of \$840.73 and in favor of the A+ Children's Academy General Fund.

Repayment in the full amount of \$840.73 was made to the Academy on 05/07/15.

We recommend the Treasurer and Board implement control procedures to help ensure all employees are paid in accordance with their approved contract rates.

Official's Response:

A+ Children's Academy contracted for CCIP services with Michael Ashmore. The invoice that was submitted for payment for the services rendered was incorrect. The amount invoiced and paid was greater than the amount agreed to in the contract. Once Mr. Ashmore was notified of the overpayment received, an explanation was immediately provided to the auditor and school and a personal check was issued to reimburse the school for the overpayment. Going forward, contract payments will not be processed until the invoice amount is compared to the amount agreed to in the contract.

FINDING NUMBER 2014-006

Federal Receipt Posting – Non-Compliance

Ohio Rev. Code § 5705.10 (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014
(Continued)**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2014-006 (Continued)

Federal Receipt Posting – Non-Compliance (Continued)

34 CFR §80.20(b)(3) requires that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Part of the required internal control design should include an accounting system which provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both.

The Academy did not maintain a separate fund for each federal grant in the accounting system to separately account for grant receipts received and expended. The Academy received a total of \$67,825.29 in federal grant receipts during fiscal year 2014.

Failure to separately identify federal receipts in the accounting system results in difficulty preparing reliable financial statements and federal reports and can result in errors such as the one noted in Finding 2014-005.

We recommend the Academy separately identify federal receipts by federal program in the accounting system. The funds used can be determined by reviewing the Uniform School Accounting System User Manual found on the Auditor of State website.

Official's Response:

During fiscal year 2014, federal receipts were not posted appropriately to specific cost centers. This oversight was discovered during fiscal year 2015 and corrected. Going forward, federal receipts will be reviewed to ensure posting to the appropriate cost centers.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Financial Statement Reporting	No.	Reissued in Management Letter.
2013-002	Purchases	No.	Reissued as 2014-001
2013-003	Maintain Proper Records	No.	Reissued as 2014-003



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

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

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

1. We noted the Board adopted an anti-harassment policy on September 29, 2012. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;
 - (2) A statement containing the required language regarding violence in a dating relationship.
 - (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (4) A requirement that the School administration semiannually provide the president of the School board a written summary of all reported incidents and post the summary on its web site, if the School has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

The Board of Directors approved a revised Anti-Bullying Policy on April 14, 2015.

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

July 31, 2015



Dave Yost • Auditor of State

A+ CHILDREN'S ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 22, 2015**