

**A+ ARTS ACADEMY
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2014**



Dave Yost • Auditor of State

Board of Directors
A+ Arts Academy
270 South Napoleon Avenue
Columbus, OH 43213

We have reviewed the *Independent Auditor's Report* of the A+ Arts Academy, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2013 through June 30, 2014. 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 A+ Arts 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

January 27, 2015

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A+ Arts Academy
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

A+ Arts Academy
Franklin County
270 South Napoleon Avenue
Columbus, OH 43213

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of A+ Arts Academy, Franklin County, Ohio (the Academy), a component unit of Reynoldsburg City School District, 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 A+ Arts 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.

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*, as 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.

Supplementary and Other Information

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, 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.



Kennedy Cottrell Richards LLC
December 18, 2014

A+ Arts Academy
(A Component Unit of Reynoldsburg City School District)
Franklin County, Ohio

Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

The management's discussion and analysis of A+ Arts Academy (the "Academy") financial performance provides an overall review of the Academy's 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 statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

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

- Net Position of the Academy was \$558,454 at fiscal year-end, an increase of \$235,831 in comparison with the prior fiscal year-end.
- Total assets increased \$175,875 and total liabilities decreased \$59,956 in comparison with the prior fiscal year-end.

Using the Basic Financial Statements

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

Report Components

The management's discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of two components: the financial statements and the notes to the financial statements.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the Academy did financially during the fiscal year. The change in net position is important because it tells the reader whether net position of the Academy has increased or decreased during the period.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

A+ Arts Academy
(A Component Unit of Reynoldsburg City School District)
Franklin County, Ohio

Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Table 1 provides a summary of the Academy's net position for fiscal year 2014 compared to those reported for fiscal year 2013.

Table 1
Net Position

	2014	2013
Assets:		
Current Assets	\$ 366,565	\$ 267,864
Capital Assets	1,437,152	1,359,978
Total Assets	1,803,717	1,627,842
Liabilities:		
Current liabilities	466,593	377,515
Noncurrent liabilities	778,670	927,704
Total Liabilities	1,245,263	1,305,219
Net Position:		
Net Investment in Capital Assets	527,556	325,580
Restricted	21,796	25,722
Unrestricted	9,102	(28,679)
Total Net Position	\$ 558,454	\$ 322,623

Current Assets increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of an increase in intergovernmental receivable related to the Academy's summer school program.

Capital Assets increased significantly in comparison with the prior fiscal year-end. This increase represents the amount in which current year capital acquisitions, most notably the Academy's building improvements, exceeded current year depreciation.

Total Liabilities decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of the Academy making mortgage loan principal payments during the fiscal year.

Net Investment in Capital Assets increased significantly. The key components of this increase are the increase in Capital Assets and the decrease in Noncurrent Liabilities, both of which are discussed above.

A+ Arts Academy
(A Component Unit of Reynoldsburg City School District)
Franklin County, Ohio

Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Total net position increased \$235,831 during the fiscal year. The following demonstrates the details of this change.

Table 2
Change in Net Position

	2014	2013
Operating Revenues:		
State Foundation	\$ 2,442,533	\$ 1,977,506
Tuition and Fees	17,132	18,870
Charges for Services	2,553	4,925
Extracurricular	43,757	40,167
Other	26,854	11,928
Total Revenues	2,532,829	2,053,396
Operating Expenses:		
Personal Services	1,827,722	1,734,793
Purchased Services	707,185	665,316
Materials and Supplies	244,690	167,871
Depreciation	47,510	53,290
Other	138,394	94,529
Total Operating Expenses	2,965,501	2,715,799
Non-Operating Revenues/(Expenses):		
Federal and State Grants	704,825	588,405
Donations	2,556	2,049
Interest Payments	(38,878)	(29,615)
Total Non-Operating Revenues/(Expenses)	668,503	560,839
Change in Net Position	235,831	(101,564)
Net Position Beginning of Year	322,623	424,187
Net Position End of Year	\$ 558,454	\$ 322,623

State Foundation, Federal and State Grants, and Total Operating Expenses all increased significantly due to an increase in enrollment from 295 students in fiscal year 2013 to 356 students in fiscal year 2014.

A+ Arts Academy
(A Component Unit of Reynoldsburg City School District)
Franklin County, Ohio
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Budget Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

Capital Assets Administration

As of fiscal year end, the Academy has \$1,437,152 invested in capital assets, an increase of \$77,174 in comparison with the prior fiscal year. This increase represents the amount in which capital asset additions (\$124,684) exceeded current year depreciation (\$47,510). See Note 5 for more information.

Debt Administration

As of fiscal year-end, the Academy had \$909,596 in outstanding mortgage loans, a decrease of \$124,802 in comparison with the prior fiscal year. This decrease represents the amount in which loan principal payments, totaling \$174,802, exceeded loan additions, totaling \$50,000. See Note 6 for more information.

Current Financial Related Activities

The Academy is sponsored by the Reynoldsburg City School District. The Academy is reliant upon State and Federal Foundation monies to offer quality educational services to students. 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 other 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 clients 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 Jennifer Smith, Treasurer, A+ Arts Academy, 7244 East Main Street, Reynoldsburg, Ohio 43068.

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 253,925
Accounts Receivable	12,603
Intergovernmental Receivable	100,037
Total Current Assets	366,565
Noncurrent Assets	
Nondepreciable Capital Assets	147,642
Depreciable Capital Assets, Net	1,289,510
Total Noncurrent Assets	1,437,152
Total Assets	1,803,717
Liabilities:	
Current Liabilities	
Accounts Payable	43,445
Accrued Wages and Benefits	189,211
Intergovernmental Payable	55,911
Mortgage Loan Payable	130,926
Unearned Revenue	9,210
Compensated Absences	37,890
Total Current Liabilities	466,593
Long-Term Liabilities:	
Mortgage Loan Payable	778,670
Total Noncurrent Liabilities	778,670
Total Liabilities	1,245,263
Net Position:	
Net Investment in Capital Assets	527,556
Restricted for:	
Food Service Program	11,253
Federally Funded Programs	9,143
Other Purposes	1,400
Unrestricted	9,102
Total Net Position	\$ 558,454

See accompanying notes to the basic financial statements.

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO

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

Operating Revenues:	
State Foundation	\$ 2,442,533
Tuition and Fees	17,132
Charges for Services	2,553
Extracurricular	43,757
Other	26,854
Total Operating Revenues	<u>2,532,829</u>
Operating Expenses:	
Salaries and Wages	1,482,185
Fringe Benefits	345,537
Purchased Services	707,185
Materials and Supplies	244,690
Depreciation	47,510
Other	138,394
Total Operating Expenses	<u>2,965,501</u>
Operating Loss	<u>(432,672)</u>
Non-Operating Revenues/(Expenses):	
Federal and State Grants	704,825
Donations	2,556
Interest Payments	(38,878)
Total Non-Operating Revenues/(Expenses)	<u>668,503</u>
Change in Net Position	235,831
Net Position Beginning of Year	<u>322,623</u>
Net Position End of Year	<u><u>\$ 558,454</u></u>

See accompanying notes to the basic financial statements.

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO

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

Cash Flows From Operating Activities	
Cash Received from State Foundation	\$ 2,442,533
Cash Received from Tuition and Fees	16,327
Cash Received from Charges for Services	2,553
Cash Received from Extracurricular	44,012
Cash Received from Other	23,036
Cash Payments for Salaries and Wages	(1,406,503)
Cash Payments for Fringe Benefits	(335,168)
Cash Payments for Purchased Services	(693,978)
Cash Payments for Materials and Supplies	(293,905)
Cash Payments for Other	(131,789)
Net Cash Used by Operating Activities	<u>(332,882)</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from Federal and State Grants	654,407
Cash Received from Donations and Contributions	2,556
Net Cash Provided by Noncapital Financing Activities	<u>656,963</u>
Cash Flows From Capital and Related Financing Activities	
Cash Received from Sale of Notes	50,000
Principal Retirement	(174,802)
Interest and Fiscal Charges	(38,878)
Acquisition of Capital Assets	(124,684)
Net Cash Used by Capital and Related Financing Activities	<u>(288,364)</u>
Net Increase in Cash and Cash Equivalents	35,717
Cash and Cash Equivalents at Beginning of Year	218,208
Cash and Cash Equivalents at End of Year	<u><u>\$ 253,925</u></u>

See accompanying notes to the basic financial statements.

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO

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

**Reconciliation of Operating Loss to Net Cash
Used by Operating Activities:**

Operating Loss	(432,672)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	47,510
Change in Assets and Liabilities:	
Accounts Receivable	(11,278)
Intergovernmental Receivable	6,910
Accounts Payable	(31,879)
Accrued Wages	62,415
Intergovernmental Payable	16,479
Compensated Absences Payable	9,633
Net Cash Used by Operating Activities	<u>\$ (332,882)</u>

See accompanying notes to the basic financial statements.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 1 – Description of the Academy

The A+ Arts Academy, Franklin County, Ohio (the “Academy”), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide an Academy exclusively for any educational, literary, scientific and related teaching service. The Academy’s objective is to deliver a unique opportunity for students who show a strong interest or talent in the visual arts which can be delivered to students in grades K - 8. It is to be operated in cooperation with the public schools to provide an appreciation of the visual arts through studies of its history, theory and design. The Academy, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Reynoldsburg City School District (the “Sponsor”) for a period of five academic years commencing after July 1, 2009. 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 is considered a component unit of the Sponsor for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”. However, the Academy has been excluded from the Sponsor’s basic financial statements because the economic resources held by the Academy are not significant to the Sponsor as a whole.

The Academy operates under the direction of a self-appointed seven-member Governing Board. The Board 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 two instructional/support facilities staffed by 15 non-certified staff members and 28 certified full time teaching personnel who provide services to 356 students.

The Academy’s management believes these financial statements present all activities in which the Academy is financially accountable.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. 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 uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as nonoperating.

B. Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash and Cash Equivalents

All monies received by the Academy are deposited in a demand deposit account.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy has maintained a capitalization threshold of \$1,000. The Academy does not have any infrastructure. 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 capitalized, but are expensed when incurred.

All capital assets, except land, are depreciated. Depreciation is computed using the straight-line method with the following estimated lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings	50 years
Land Improvements	15 years
Other Equipment	10 years
Copiers and Furniture	5 years
Computer Equipment	3 years

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Academy did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy did not have any deferred inflows of resources at fiscal year-end.

F. Net Position

Net Position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Net Position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, laws or regulations of other governments, or enabling legislation.

The Academy's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

None of the Academy's restricted net position were the result of enabling legislation.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met, essentially the same as the period received.

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

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues primarily consist of revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and donations comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Estimates

The preparation of financial statements in conformity with 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.

J. Compensated Absences Policy

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off. The Academy records a liability for accumulated unused personal leave time when earned by employees.

Note 3 – Deposits

At fiscal year-end, the carrying value of the Academy's deposits totaled \$253,925, and the bank balance totaled \$271,060. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and the remaining balance was exposed to custodial credit risk as discussed below.

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

Note 4 – Receivables

At fiscal year-end, intergovernmental receivables, consisting primarily of federal grants, totaled \$100,037. All intergovernmental receivables are considered collectible within one year.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 147,642	\$ -	\$ -	\$ 147,642
Construction in Progress	112,764	48,309	(161,073)	-
Total capital assets, not being depreciated	<u>260,406</u>	<u>48,309</u>	<u>(161,073)</u>	<u>147,642</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	14,289	24,003	-	38,292
Building	1,122,637	166,028	-	1,288,665
Furniture and Equipment	235,376	47,417	-	282,793
Total capital assets, being depreciated	<u>1,372,302</u>	<u>237,448</u>	<u>-</u>	<u>1,609,750</u>
Less Accumulated Depreciation:				
Land Improvements	(3,858)	(1,577)	-	(5,435)
Building	(105,523)	(21,880)	-	(127,403)
Furniture and Equipment	(163,349)	(24,053)	-	(187,402)
Total accumulated depreciation	<u>(272,730)</u>	<u>(47,510)</u>	<u>-</u>	<u>(320,240)</u>
Depreciable Capital Assets, Net	<u>1,099,572</u>	<u>189,938</u>	<u>-</u>	<u>1,289,510</u>
Total Capital Assets, Net	<u><u>\$ 1,359,978</u></u>	<u><u>\$ 238,247</u></u>	<u><u>\$ (161,073)</u></u>	<u><u>\$ 1,437,152</u></u>

Note 6 – Short-Term Obligations

On November 4, 2013 the Academy received an operating loan in the amount of \$50,000 with an interest rate of 5.50% which was repaid during the year. Changes in the Academy's loan payable during the fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2014 Loan payable	\$ -	\$ 50,000	\$ (50,000)	\$ -

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 7 – Long-Term Obligations

Changes in the Academy’s mortgage loan payable during the fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2006 Mortgage loan payable	\$ 734,398	\$ -	\$ (28,556)	\$ 705,842	\$ 21,606
2013 Mortgage loan payable	300,000	-	(96,246)	203,754	109,320
Total Loans Payable	<u>1,034,398</u>	<u>-</u>	<u>(124,802)</u>	<u>909,596</u>	<u>130,926</u>
Compensated Absences	28,257	37,890	(28,257)	37,890	37,890
Total Long-term Liabilities	<u>\$ 1,062,655</u>	<u>\$ 37,890</u>	<u>\$ (153,059)</u>	<u>\$ 947,486</u>	<u>\$ 168,816</u>

2006 Mortgage loan payable: On May 31, 2006 the Academy issued a mortgage loan in the amount of \$915,000 with an interest rate of 8.25% (variable rate) to be repaid over 30 years and it is currently at an interest rate of 3.75%. The loan was issued to purchase a building which is used as classrooms for the Academy.

2013 Mortgage loan payable: On May 31, 2013 the Academy issued a mortgage loan in the amount of \$300,000 with an interest rate of 5.50% to be repaid over 3 years. The loan was issued to purchase a building which is used as classrooms for the Academy.

The debt-service-to-maturity requirements for the mortgage loans are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 130,926	\$ 34,578	\$ 165,504
2016	116,864	27,645	144,509
2017	23,286	24,420	47,706
2018	24,174	23,532	47,706
2019	25,096	22,610	47,706
2020-2024	140,596	103,101	243,697
2025-2029	169,541	68,989	238,530
2030-2034	204,446	34,084	238,530
2035-2036	74,667	2,403	77,070
Total	<u>\$ 909,596</u>	<u>\$ 341,362</u>	<u>\$ 1,250,958</u>

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 8 – Sponsorship Agreement with Reynoldsburg City School District

The Academy has entered into a sponsorship agreement with Reynoldsburg City School District (the Sponsor), whereby, the Sponsor shall receive compensation for services provided to the Academy. The Sponsor shall provide the Academy Treasurer with fiscal oversight and administrative support related to the following:

- A. Support to ensure that the financial records of the Academy are maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- B. Compliance with the policies and procedures regarding internal financial control of the Academy.
- C. Compliance with the requirements and procedures for financial audits by the Auditor of State.

During the fiscal year, the Academy paid the Sponsor of \$68,789 in sponsorship fee services under this agreement. The Academy also paid the Sponsor \$1,100 for office rental during fiscal year 2014.

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% 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 among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions for pension obligation to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$53,011, \$56,125, and \$44,801, respectively. The entire amount has been contributed for fiscal years 2013, and 2012. For fiscal year 2014, the Academy has contributed 68 percent of the required amount. The Academy's unpaid contribution has been recorded as a liability.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 9 – Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

Plan Description - The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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 toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 9 – Defined Benefit Pension Plans (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 9 – Defined Benefit Pension Plans (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The Academy's required contributions for pension obligation for the fiscal years ended June 30, 2014, 2013, and 2012 were \$140,709, \$126,141, and \$103,354, respectively; the entire amount has been contributed for fiscal years 2013, and 2012. For fiscal year 2014, the Academy has contributed 86 percent of the required amount. The Academy's unpaid contribution has been recorded as a liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 10 – Postemployment Benefits

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to 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 year 2014, the actuarially required allocation is .76%. The Academy's required contributions to the Medicare B Fund for the fiscal years ended June 30, 2014, 2013, and 2012 were \$3,075, \$3,170, and \$2,646, respectively. The entire amount has been contributed for fiscal years 2013, and 2012. For fiscal year 2014, the Academy has contributed 68 percent of the required amount.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 10 – Postemployment Benefits (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 HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's required contributions assigned to health care, including the surcharge, for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,214, \$7,699, and \$5,755, respectively. The entire amount has been contributed for fiscal years 2013, and 2012. For fiscal year 2014, the Academy has contributed 68 percent of the required amount.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, 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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost-sharing, multiple employer postemployment 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 calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 10 – Postemployment Benefits (continued)

Funding Policy – 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% of covered payroll to post-employment health care. The Academy’s required contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$10,824, \$9,703, and \$7,950, respectively. The entire amount has been contributed for fiscal years 2013, and 2012. For fiscal year 2014, the Academy has contributed 86 percent of the required amount.

Note 11 – Other Employee Benefits

A. Medical, Life, Dental and Vision Insurance Benefits

The Academy provides medical benefits through Anthem. The Academy offers individual and family health plans. The Board pays 75% of the premium amounts for single coverage. Employees pay the entire premium for family coverage.

Note 12 – Contingent Liabilities

A. Grants

Amounts grantor agencies pay to the Academy are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 13 – Purchased Services

For the fiscal year ended June 30, 2014, purchased services disbursements were as follows:

Professional & Technical Services	\$	131,752
Property Services & Rentals		216,780
Meeting Expenses		13,785
Postage, Advertising and Printing		24,888
Utilities		105,658
Pupil Transportation		23,379
Contracted Food Services		170,825
Other Purchased Services		20,118
Total	<u>\$</u>	<u>707,185</u>

Note 14 – 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. The Academy maintains insurance coverage for rental/theft, general liability and contents liability.

The Academy has coverage for employee dishonesty, forgery and alternation coverage and computer equipment.

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Ohio Casualty	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Building and Contents	Ohio Casualty	1,376,968	1,000
Personal Property	Ohio Casualty	300,000	1,000

Property coverage is part of a blanket limit with a total of \$1,000 deductible per loss. There have been no claims for the past three years. There has been no significant reduction in the amount of insurance coverage from the prior fiscal year.

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 gross total payroll by a factor that is calculated by the State.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 15 – Related Party Transactions

During the fiscal year, the Academy received a \$50,000 loan from Carolyn Berkley, the Academy's Superintendent. The Academy paid back the loan, including \$300 in interest, during the fiscal year.

Note 16 – Change in Accounting Principles

For fiscal year 2014, the Academy has implemented the following

GASB Statement No. 66 "Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62" resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the Academy.

GASB Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees" enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the Academy.

**A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal grantor/Pass through grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Pass-through Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	\$ 54,683	\$ 54,683
National School Lunch Program	10.555	131,814	131,814
Total Nutrition Cluster		<u>186,497</u>	<u>186,497</u>
Total U.S. Department of Agriculture		<u>186,497</u>	<u>186,497</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Pass-through Ohio Department of Education:</i>			
Title I Grants to Local Education Agencies	84.010	300,429	250,860
Special Education-Grants to States	84.027	66,030	54,874
Improving Teacher Quality State Grants	84.367	2,618	1,495
ARRA- Race to the Top	84.395	45,763	49,225
Total U.S. Department of Education		<u>414,840</u>	<u>356,454</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</u>			
<i>Pass-through Ohio Department of Education:</i>			
Temporary Assistance for Needy Families	93.558	-	8,705
Total U.S. Department of Health and Human Services		<u>-</u>	<u>8,705</u>
Total Federal Financial Assistance		<u>\$ 601,337</u>	<u>\$ 551,656</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the A+ Arts Academy's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

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

A+ Arts Academy
Franklin County
270 South Napoleon Avenue
Columbus, OH 43213

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of A+ Arts Academy, Franklin County, (the Academy), a component unit of the Reynoldsburg City School District, 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 December 18, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
December 18, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

A+ Arts Academy
Franklin County
270 South Napoleon Avenue
Columbus, OH 43213

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the A+ Arts Academy (the Academy), a component unit of the Reynoldsburg City School District, compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Academy's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Academy's major federal program.

Management's Responsibility

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the A+ Arts Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

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

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Kennedy Cottrell Richards LLC
December 18, 2014

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

SCHEDULE OF FINDINGS

**JUNE 30, 2014
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

Independent Auditor's Report on Applying Agreed-Upon Procedures

A+ Arts Academy
Franklin County
270 South Napoleon Avenue
Columbus, OH 43213

To the Board of Education:

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+ Arts 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. In our report dated January 30, 2014, we noted the Academy's anti-harassment policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Academy's management regarding the aforementioned policy. They stated they have not amended the 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 definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment;

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

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



Kennedy Cottrell Richards LLC
December 18, 2014



Dave Yost • Auditor of State

A+ ARTS 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
FEBRUARY 10, 2015**