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

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

Kennedy
Cottrell
Richards

Governing Board
A+ Arts Academy
270 S. Napoleon Ave
Columbus, Ohio 43213-4235

We have reviewed the *Independent Accountants' Report* of the A+ Arts Academy, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2008 through June 30, 2009. 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.

Finding for Recovery:

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Martin Griffith was the principal of A+ Arts Academy from the school's inception through March 2009. According to the school's superintendent, Mr. Griffith was responsible for the Principal's Account held at National City Bank and had custody of the account's ATM/debit card. Due to the lack of available documentation, we were unable to determine whether certain expenditures made from the account were for purposes related to the operations of the school.

Unsupported cash withdrawals were made from the account totaling $548, including related ATM fees. Seven on-line payments totaling $492 were made to Bank of America for Mr. Griffith's personal credit card. Seven unsupported gasoline purchases totaling $275 were made using the account's debit card. Other unsupported miscellaneous purchases totaling $888 were made from the account using the debit card or by check.

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 liable for the amount of the expenditure. *Seward v. National Surety Corp.* (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 liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen 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 foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of $2,203 against Martin Griffith in favor of A+ Arts Academy.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 24, 2010

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

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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383 North Front Street
Columbus, Ohio 43215

Kennedy Cottrell Richards

Phone: 614.358.4682
Fax: 614.888.8634
www.kcr-cpa.com

INDEPENDENT ACCOUNTANTS' REPORT

Governing Board
A+ Arts Academy
270 South Napoleon Avenue
Columbus, Ohio 43213

To the Governing Board:

We have audited the accompanying basic financial statements of the A+ Arts Academy, Franklin County, Ohio (the Academy), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the A+ Arts Academy, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2010 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC

February 4, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The management's discussion and analysis of the A+ Arts Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets were $151,159 at June 30 2009.

- The Academy had operating revenues of $1,011,572 and operating expenses of $1,148,039 for fiscal year 2009. The Academy also received $220,675 in federal and State grants during fiscal year 2009.

Using these Basic Financial Statements

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

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table below provides a comparison of the Academy's net assets for fiscal years 2009 and 2008.

Net Assets

	2009	2008
Assets:		
Current assets	$ 81,960	$ 85,548
Non-current assets	1,021,196	1,033,390
Total assets	1,103,156	1,118,938
Liabilities:		
Current liabilities	100,451	105,748
Long-term liabilities	851,546	891,450
Total liabilities	951,997	997,198
Net assets:		
Invested in capital assets, net of related debt	152,278	133,362
Restricted	4,110	8,767
Unrestricted (deficit)	(5,229)	(20,389)
Total net assets	$ 151,159	$ 121,740

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Academy's net assets totaled $151,159, of which $4,110 is restricted in use.

At fiscal year-end, capital assets represented 92.57% of total assets. Capital assets consisted of land, land improvements, a building and furniture and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2009, were $152,278. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

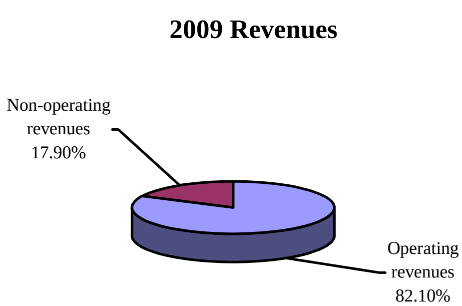
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

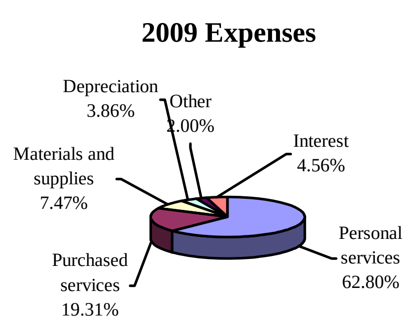
The table below provides a comparative analysis of the changes in net assets for fiscal years 2009 and 2008.

Change in Net Assets

	2009	2008
Operating revenues:		
State foundation	$ 934,554	$ 882,694
Tuition and fees	9,282	120
Charges for services	61,049	26,790
Other	6,687	10,699
Total operating revenue	1,011,572	920,303
Operating expenses:		
Personal services	755,382	718,280
Purchased services	232,355	133,554
Materials and supplies	89,863	90,967
Depreciation	46,393	44,860
Other	24,046	81,522
Total operating expenses	1,148,039	1,069,183
Non-operating revenues/expenses:		
Federal and state grants	220,675	172,901
Interest and fiscal charges	(54,789)	(70,492)
Total non-operating revenues/expenses	165,886	102,409
Change in net assets	29,419	(46,471)
Net assets at beginning of year	121,740	168,211
Neta assets at end of year	$ 151,159	$ 121,740

The charts below illustrate the revenues and expenses for the Academy during fiscal 2009 and 2008.

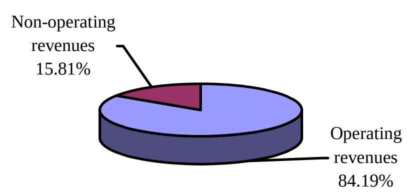




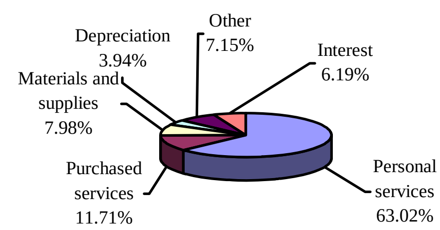
A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

2008 Revenues



2008 Expenses



Current Financial Related Activities

Foundation revenue is the primary source of funding received by Academy representing 92.39% of total operating revenues. The majority of other State and federal aid in the non-operating revenues came from the Ohio Department of Education in the form of Title I and IDEA-B grants. These monies were used to finance educational opportunities to those students participating in the Academy's programs.

Payroll and fringe benefits totaled $755,382 or 61.31% of total revenues and 65.80% of the operating expenses. Purchased services expense primarily includes expenses incurred from fees for professional services, building services, training, consulting and advertising.

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 Ms. Jane Fry, Treasurer, A+ Arts Academy, 270 S. Napoleon Ave., Columbus, Ohio 43213-4235.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	$ 79,728
Receivables:	
Intergovernmental	2,232
Total current assets	81,960
Non-current assets:	
Land	147,642
Depreciable capital assets, net	873,554
Total non-current assets	1,021,196
Total assets	1,103,156
Liabilities:	
Current liabilities:	
Accounts payable	231
Accrued wages and benefits	49,499
Pension obligation payable	22,103
Intergovernmental payable	5,298
Due to students	627
Current portion of mortgage loan payable	17,372
Compensated absences	5,321
Total current liabilities	100,451
Long-term liabilities:	
Mortgage loan payable	851,546
Total long-term liabilities	851,546
Total liabilities	951,997
Net assets:	
Invested in capital assets, net of related debt	152,278
Restricted for:	
Locally funded programs	2,217
Other purposes	1,893
Unrestricted (deficit)	(5,229)
Total net assets	$ 151,159

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 ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating revenues:		
State foundation	$	934,554
Tuition and fees		9,282
Charges for services		61,049
Other		6,687
Total revenue		1,011,572
Operating expenses:		
Salaries and wages		612,956
Fringe benefits		142,426
Purchased services		232,355
Materials and supplies		89,863
Depreciation		46,393
Other		24,046
Total expenses		1,148,039
Operating loss		(136,467)
Non-operating revenues/(expenses):		
Federal and state grants		220,675
Interest and fiscal charges		(54,789)
Total non-operating revenues/(expenses)		165,886
Change in net assets		29,419
Net assets at beginning of year		121,740
Net assets at end of year	$	151,159

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, 2009

Cash flows from operating activities:		
Cash received from foundation	$	934,554
Cash received from tuition and fees		9,282
Cash received from sales/charges for services		61,049
Cash received from other operations.		7,270
Cash payments for salaries and wages		(624,361)
Cash payments for fringe benefits		(138,261)
Cash payments for purchased services.		(234,439)
Cash payments for materials and supplies		(91,827)
Cash payments for other expenses		(26,849)
Net cash used in operating activities		(103,582)
Cash flows from noncapital financing activities:		
Federal and state grants.		241,897
Net cash provided by noncapital financing activities		241,897
Cash flows from capital and related financing activities:		
Acquisition of capital assets.		(34,199)
Principal retirement.		(31,110)
Interest and fiscal charges.		(54,789)
Net cash used in capital and related financing activities		(120,098)
Net increase in cash and cash equivalents		18,217
Cash and cash equivalents at beginning of year		61,511
Cash and cash equivalents at end of year.	$	79,728
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss.	$	(136,467)
Adjustments:		
Depreciation.		46,393
Changes in assets and liabilities:		
Decrease in accounts receivable		583
(Decrease) in accounts payable.		(7,206)
(Decrease) in accrued wages and benefits		(10,654)
(Decrease) in compensated absences payable		(1,906)
Increase in intergovernmental payable		3,582
Increase in due to students.		627
Increase in pension obligation payable.		1,466
Net cash used in operating activities.	$	(103,582)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the A+ Arts Academy's tax exempt status. The A+ Arts 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 6 - 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, 2004. 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 Reynoldsburg City School District 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".

The Academy operates under the direction of a self-appointed five-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 one instructional/support facility staffed by 6 non-certified staff members and 10 certified full time teaching personnel who provide services to 129 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) 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 Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply these FASB Interpretations. The A+ Arts Academy's significant 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 assets, 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.

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 non-operating.

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 assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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. 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, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03 (11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

D. Cash

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

E. Capital Assets and Depreciation

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 expended when incurred.

All capital assets, except land, are depreciated. Depreciation is computed using the straight-line method. Computer equipment is depreciated over three years, copiers and furniture are depreciated over five years, other equipment items are depreciated over 10 years, land improvements are depreciated over 15 years and the building is depreciated over 50 years.

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

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted include the amounts reserved for locally funded programs and other purposes. Net assets restricted for other purposes include amounts restricted for food service operation, uniform school supplies and special enterprise activities.

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

G. Intergovernmental Revenue

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. Foundation revenue received by the Academy during fiscal year 2009 was $934,554.

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. Federal and State grants for the fiscal year 2009 received by the Academy was $220,675.

H. 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.

I. Compensated Absences Policy

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 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2009, the Academy has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Academy.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Academy.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Academy.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2009, the carrying amount of the Academy's deposits was $79,728. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, all of the Academy's bank balance of $92,820 was covered by the FDIC.

NOTE 5 - RECEIVABLES

At June 30, 2009, receivables consisted of intergovernmental revenues which are considered collectible within one year and presented on the statement of net assets in the amount of $2,232.

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Professional services	$ 29,893
Property services	105,782
Utilities	30,006
Contracted food services	39,723
Meeting expense	1,117
Postage, advertising and printing	22,680
Other purchased services	3,154
Total	$ 232,355

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 06/30/08	Additions	Deductions	Balance 06/30/09
Capital assets, not being depreciated:				
Land	$ 147,642	$ -	$ -	$ 147,642
Total capital assets, not being depreciated	147,642	-	-	147,642
Capital assets, being depreciated:				
Land improvements	-	14,289	-	14,289
Building	822,637	-	-	822,637
Furniture and equipment	144,371	19,910	-	164,281
Total capital assets, being depreciated	967,008	34,199	-	1,001,207
Less: accumulated depreciation				
Land improvements	-	(429)	-	(429)
Buildings and improvements	(30,986)	(14,807)	-	(45,793)
Furniture and equipment	(50,274)	(31,157)	-	(81,431)
Total accumulated depreciation	(81,260)	(46,393)	-	(127,653)
Capital assets, net	$ 1,033,390	$ (12,194)	$ -	$ 1,021,196

NOTE 8 - LONG-TERM OBLIGATIONS

The Academy's long-term obligations during fiscal year 2009 were as follows:

	Balance 06/30/08	Additions	Reductions	Balance 06/30/09	Due Within One Year
Mortgage loan payable	$ 900,028	$ -	$ (31,110)	$ 868,918	$ 17,372
Compensated absences	7,227	5,321	(7,227)	5,321	5,321
Total long-term liabilities	$ 907,255	$ 5,321	$ (38,337)	$ 874,239	$ 22,693

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 4.25%. The loan was issued to purchase a building which is used as classrooms for the Academy. The building has been included in the Academy's capital assets in the statement of net assets. The debt service requirements for the mortgage loan are as follows:

Fiscal Year Ended	Principal	Interest	Total
2010	$ 17,372	$ 37,329	$ 54,701
2011	18,080	36,621	54,701
2012	18,881	35,820	54,701
2013	19,718	34,984	54,702
2014	20,591	34,110	54,701
2015 - 2019	117,475	156,034	273,509
2020 - 2024	145,906	127,603	273,509
2025 - 2029	181,216	92,292	273,508
2030 - 2034	225,072	48,437	273,509
2035 - 2036	104,607	4,797	109,404
Total	$ 868,918	$ 608,027	$ 1,476,945

NOTE 9 - FISCAL AGENT - REYNOLDSBURG CITY SCHOOL DISTRICT

The sponsorship agreement states the Treasurer of Reynoldsburg City School District, the Sponsor shall serve as the Treasurer of the Academy. As part of this agreement, the Academy shall compensate the Sponsor 3% of the per pupil allocation (foundation) paid to the Academy by the State of Ohio.

The Treasurer of the Sponsor shall perform the following functions while serving as the Treasurer of the Academy:

A. Maintain the financial records of the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.

B. Comply with the policies and procedures regarding internal financial control of the Academy.

C. Comply with the requirements and procedures for financial audits by the Auditor of State.

During the fiscal year the Academy accrued cost payable to the Sponsor and paid $14,231.

As of February 16, 2009, Jane Fry became Treasurer of the Academy. From that date, the Sponsor no longer performed any of the above duties and the Academy no longer paid the Sponsor 3% of the per pupil allocation.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $11,625, $9,910 and $10,102, respectively; 51.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 10 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 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 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were $64,542, $64,682 and $61,887, respectively; 84.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were $3,781 made by the Academy and $7,401 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were $7,363, $6,545 and $3,354, respectively; 51.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were $959, $714 and $687, respectively; 51.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2009, 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, 2009, 2008, and 2007 were $4,965, $4,976 and $4,761, respectively; 84.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Medical, Life, Dental and Vision Insurance Benefits

The Academy provides medical benefits through Medical Mutual. 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.

B. Compensated Absences

Employees accumulate personal leave at a rate of 5 days per year. Unused personal leave may accumulate up to 10 days.

NOTE 13 - 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.

Coverage	Insurer	Coverage	Deductible
Education liability:			
Each occurrence	Ohio Casualty	$ 1,000,000	$ 0
Aggregate		2,000,000	0
Building and contents	Ohio Casualty	1,326,968	1,000
Personal Property	Ohio Casualty	200,000	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 fiscal year 2008.

NOTE 13 - RISK MANAGEMENT - (Continued)

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.

NOTE 14 - RELATED PARTY TRANSACTIONS

As part of the Academy's contractual agreement with the Sponsor, the Academy is required to pay the Sponsor 3% of the per pupil allocation paid to the Academy from the State of Ohio for various fiscal services and support. In fiscal year 2009, the Academy paid the governing authority $14,231 during the year. On February 16, 2009, Jane Fry became Treasurer of the Academy. As of that date, the Academy no longer paid the Sponsor 3% of the per pupil allocation. Any payments made to the Sponsor by the Academy after that date are for purchased services, primarily consisting of fingerprinting services.

NOTE 15 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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, 2009.

B. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation Funding is calculated. The review for fiscal year 2009 has yet to be completed.

C. 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.

383 North Front Street
Columbus, Ohio 43215

Kennedy Cottrell Richards

Phone: 614.358.4682
Fax: 614.888.8634
www.kcr-cpa.com

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

Governing Board
A+ Arts Academy
270 South Napoleon Avenue
Columbus, Ohio 43213

We have audited the financial statements of the A+ Arts Academy, Franklin County, Ohio (the Academy), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2009, for the year ended June 30, 2009 and have issued our report thereon dated February 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in G*overnment Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy 's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control. We consider the deficiency described in the accompanying Schedule of Findings as item 2009-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2009-002.

We did note certain noncompliance or other matters that we reported to management of the Academy in a separate letter dated February 4, 2010.

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.

This report is intended solely for the information and use of the Governing Board, management of the A+ Arts Academy, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

KENNEDY COTTRELL RICHARDS LLC

February 4, 2010

SCHEDULE OF FINDINGS

June 30, 2009

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

Finding Number	2009-001

Significant Deficiency – Payroll Disbursements

A sound internal control structure is one capable of providing management with assurance that transactions are processed accurately and completely. To achieve this desired assurance, the internal control structure must promote the timely and consistent application of internal control procedures and require that said procedures be adequately documented to evidence their application. In addition, segregation of duties over significant accounting cycles should always be a key component of the internal control environment.

During our review of the Academy's payroll transaction cycle, we noted the following:

- The Superintendent is given full control over the assignment of pay rates and raises. The Board approves the hiring of employees but does not approve salary amounts. Additionally, the Academy does not have a formal salary schedule and the pay amounts and increases are not supported by any type of formal documentation.

- There is a lack of consistency as to the method of how similar classes of employees are paid (salary rate, daily rate, or hourly rate).

- Absence forms are not regularly completed or approved for leave taken.

We recommend the Academy's Board in conjunction with management adopt a formal salary schedule and pay schedule and that the Board approve all pay rates. Additionally, we recommend that the Academy begin the practice of consistently utilizing written leave request forms for all employees. The approval of leave time by a direct supervisor should be documented on the leave request form.

Client Response:

The Superintendent maintains a spreadsheet of employee pay rates and pay methods. The pay rates are set based on experience and annual 3% raises are given for cost of living. Other raises based on merit. The Board approves the Academy's budget pay rates, which includes pay amounts. The Academy has begun using absence forms in fiscal year 2010.

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
Franklin County

SCHEDULE OF FINDINGS

June 30, 2009

Finding Number	2009-002

Noncompliance - Borrowing

Ohio Revised Code Section 3314.08(J)(1)(b) states that a school may borrow money for a term not to exceed fifteen years to acquire facilities.

The Academy entered into an agreement in a prior fiscal year to acquire facilities for a term of thirty years.

The Academy is borrowing money in excess of the fifteen year limit in accordance with Ohio Revised Code Section 3314.08(J)(1)(b).

We recommend that Academy officials take steps to monitor debt and determine there is no debt contradicting Ohio Revised Code Section 3314.08(J)(1)(b) at fiscal year end.

Client Response:

The Academy will continue to explore the possibility of refinancing to comply with this Ohio Revised Code Section.

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
Franklin County

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain:*
2008-A+AA-001	Ohio Revised Code Section 3314.08(J)(1)(b) states that a school may borrow money for a term not to exceed fifteen years to acquire facilities.	No	Not corrected. Reported as finding number 2009-002.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Governing Board:

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

1. We noted the Board adopted an anti-harassment policy at its meeting on September 29, 2008.

2. We read the policy, noting it included requirements 1 and 9 below but did not include items 2 - 8 and item 10 from Ohio Rev. Code Section 3313.666(B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

   (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, 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, have access to any written reports pertaining to the prohibited incident;

   (6) A procedure for documenting any prohibited incident that is reported;

   (7) A procedure for responding to and investigating any reported incident;

   (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) 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.

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 is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC

February 4, 2010

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
SEPTEMBER 7, 2010