

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

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

JANE FRY, TREASURER



Dave Yost • Auditor of State

Board of Directors
A+ Arts Academy
4480 Refugee Road
Columbus, Ohio 43232

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, 2009 through June 30, 2010. 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

March 22, 2011

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

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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, 2010, 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 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, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2011, 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
January 23, 2011

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, 2010
(UNAUDITED)

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, 2010. 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 2010 are as follows:

- In total, net assets were \$149,436 at June 30 2010.
- The Academy had operating revenues of \$982,170 and operating expenses of \$1,355,720 for fiscal year 2010. The Academy also received \$408,429 in federal and state grants during fiscal year 2010.

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 2010?" 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The table below provides a comparison of the Academy's net assets for fiscal years 2010 and 2009.

	Net Assets	
	<u>2010</u>	<u>2009</u>
<u>Assets:</u>		
Current assets	\$ 148,035	\$ 81,960
Non-current assets	<u>1,001,514</u>	<u>1,021,196</u>
Total assets	<u>1,149,549</u>	<u>1,103,156</u>
<u>Liabilities:</u>		
Current liabilities	176,372	100,451
Long-term liabilities	<u>823,741</u>	<u>851,546</u>
Total liabilities	<u>1,000,113</u>	<u>951,997</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	159,219	152,278
Restricted	19,390	4,110
Unrestricted (deficit)	<u>(29,173)</u>	<u>(5,229)</u>
Total net assets	<u>\$ 149,436</u>	<u>\$ 151,159</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's net assets totaled \$149,436, of which \$19,390 is restricted in use.

At fiscal year-end, capital assets represented 87.31% 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, 2010, were \$159,219. 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)
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

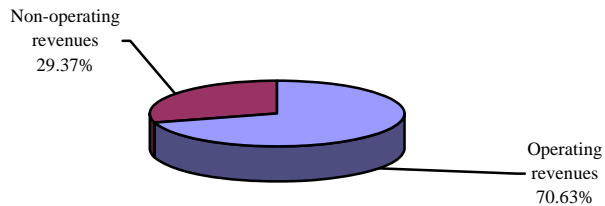
The table below provides a comparative analysis of the changes in net assets for fiscal years 2010 and 2009.

Change in Net Assets

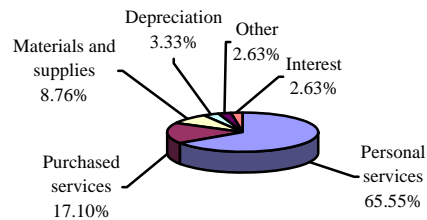
	<u>2010</u>	<u>2009</u>
<u>Operating revenues:</u>		
State foundation	\$ 894,980	\$ 934,554
Tuition and fees	13,480	9,282
Charges for services	36,727	61,049
Other	<u>36,983</u>	<u>6,687</u>
Total operating revenue	<u>982,170</u>	<u>1,011,572</u>
<u>Operating expenses:</u>		
Personal services	912,567	755,382
Purchased services	238,106	232,355
Materials and supplies	121,998	89,863
Depreciation	46,415	46,393
Other	<u>36,634</u>	<u>24,046</u>
Total operating expenses	<u>1,355,720</u>	<u>1,148,039</u>
<u>Non-operating revenues/expenses:</u>		
Federal and state grants	408,429	220,675
Interest and fiscal charges	<u>(36,602)</u>	<u>(54,789)</u>
Total non-operating revenues/expenses	<u>371,827</u>	<u>165,886</u>
Change in net assets	(1,723)	29,419
Net assets at beginning of year	<u>151,159</u>	<u>121,740</u>
Net assets at end of year	<u>\$ 149,436</u>	<u>\$ 151,159</u>

The charts below illustrate the revenues and expenses for the Academy during fiscal 2010 and 2009.

2010 Revenues

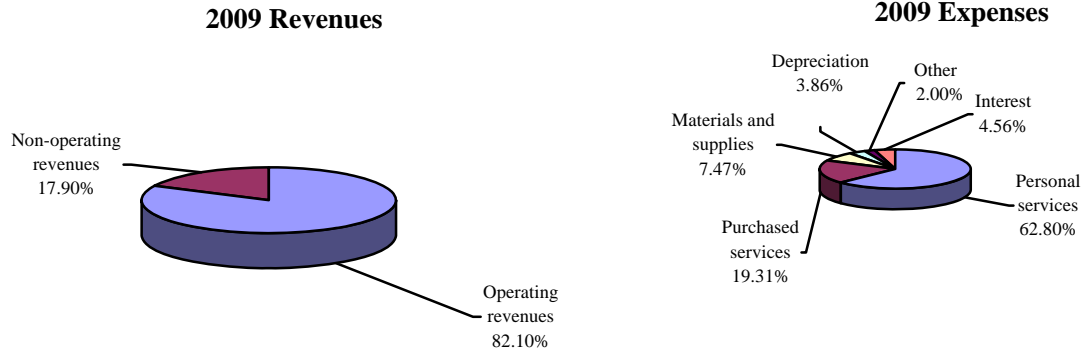


2010 Expenses



A+ ARTS ACADEMY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (UNAUDITED)



Current Financial Related Activities

Foundation revenue is the primary source of funding received by Academy representing 91.13% 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, IDEA-B and Education Stabilization grants. These monies were used to finance educational opportunities to those students participating in the Academy's programs.

Payroll and fringe benefits totaled \$912,567 or 65.63% of total revenues and 65.55% of total 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, 2283 Sunbury Road, Columbus, Ohio 43219.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:	
<i>Current assets:</i>	
Equity in pooled cash and cash equivalents	\$ 79,152
Receivables:	
Accounts	21,710
Intergovernmental.	47,173
Total current assets	<u>148,035</u>
<i>Non-current assets:</i>	
Land	147,642
Depreciable capital assets, net	853,872
Total non-current assets	<u>1,001,514</u>
Total assets	<u>1,149,549</u>
Liabilities:	
<i>Current liabilities:</i>	
Accounts payable.	144
Accrued wages and benefits	74,024
Pension obligation payable.	13,265
Intergovernmental payable	5,804
Due to students.	79
Current portion of mortgage loan payable	18,554
Unearned revenue	52,842
Compensated absences.	11,660
Total current liabilities	<u>176,372</u>
<i>Long-term liabilities</i>	
Mortgage loan payable.	823,741
Total long-term liabilities	<u>823,741</u>
Total liabilities	<u>1,000,113</u>
Net assets:	
Invested in capital assets, net of related debt	159,219
Restricted for locally funded programs.	1,187
Restricted for federally funded programs.	18,203
Unrestricted (deficit)	<u>(29,173)</u>
Total net assets.	<u>\$ 149,436</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 REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
State foundation	\$ 894,980
Tuition and fees.	13,480
Sales and charges for services.	36,727
Other	36,983
Total operating revenues	<u>982,170</u>
Operating expenses:	
Salaries and wages.	758,895
Fringe benefits.	153,672
Purchased services.	238,106
Materials and supplies	121,998
Depreciation	46,415
Other.	36,634
Total operating expenses.	<u>1,355,720</u>
Operating loss	<u>(373,550)</u>
Non-operating revenues/(expenses):	
Federal and state grants	408,429
Interest and fiscal charges	<u>(36,602)</u>
Total nonoperating revenues/(expenses)	<u>371,827</u>
Change in net assets.	(1,723)
Net assets at beginning of year	<u>151,159</u>
Net assets at end of year	<u>\$ 149,436</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

A+ ARTS ACADEMY
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STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from state foundation	\$ 894,905
Cash received from tuition and fees	13,475
Cash received from sales and charges for services	36,504
Cash received from other operations	14,808
Cash payments for salaries and wages	(731,472)
Cash payments for fringe benefits	(158,563)
Cash payments for purchased services	(237,962)
Cash payments for materials and supplies	(122,229)
Cash payments for other expenses	<u>(37,182)</u>
Net cash used in operating activities	<u>(327,716)</u>
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	<u>417,098</u>
Net cash provided by noncapital financing activities	<u>417,098</u>
Cash flows from capital and related financing activities:	
Principal retirement	(26,623)
Interest and fiscal charges	(36,602)
Acquisition of capital assets	<u>(26,733)</u>
Net cash used in capital and related financing activities	<u>(89,958)</u>
Net decrease in cash and cash equivalents	(576)
Cash and cash equivalents at beginning of year	<u>79,728</u>
Cash and cash equivalents at end of year	<u><u>\$ 79,152</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (373,550)
Adjustments:	
Depreciation	46,415
Changes in assets and liabilities:	
(Increase) in accounts receivable	(21,710)
(Increase) in intergovernmental receivable	(768)
(Decrease) in accounts payable	(87)
Increase in accrued wages and benefits	24,525
Increase in intergovernmental payable	506
Increase in compensated absences payable	6,339
(Decrease) in pension obligation payable	(8,838)
(Decrease) in due to students	<u>(548)</u>
Net cash used in operating activities	<u><u>\$ (327,716)</u></u>

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, 2010

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, 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 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 21 non-certified staff members and 13 certified full time teaching personnel who provide services to 140 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) guidance 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 guidance issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply this FASB guidance. 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.

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, 2010

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 expensed 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.

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, 2010

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 federally funded programs.

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 2010 was \$894,980.

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 2010 received by the Academy was \$408,429.

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.

A+ ARTS ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2010, the carrying amount of the Academy's deposits was \$79,152. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, all of the Academy's bank balance of \$96,993 was covered by the FDIC.

NOTE 5 - RECEIVABLES

At June 30, 2010, receivables consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible within one year and presented on the statement of net assets in the amount of \$68,883.

A+ ARTS ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

Professional services	\$ 19,741
Property services & rentals	106,829
Utilities	26,963
Contracted food services	44,263
Meeting expense	2,604
Postage, advertising and printing	8,655
Other purchased services	<u>29,051</u>
Total	<u>\$ 238,106</u>

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 147,642	\$ -	\$ -	\$ 147,642
Total capital assets, not being depreciated	<u>147,642</u>	<u>-</u>	<u>-</u>	<u>147,642</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	14,289	-	-	14,289
Building	822,637	-	-	822,637
Furniture and equipment	<u>164,281</u>	<u>26,733</u>	<u>-</u>	<u>191,014</u>
Total capital assets, being depreciated	<u>1,001,207</u>	<u>26,733</u>	<u>-</u>	<u>1,027,940</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(429)	(857)	-	(1,286)
Buildings and improvements	(45,793)	(14,808)	-	(60,601)
Furniture and equipment	<u>(81,431)</u>	<u>(30,750)</u>	<u>-</u>	<u>(112,181)</u>
Total accumulated depreciation	<u>(127,653)</u>	<u>(46,415)</u>	<u>-</u>	<u>(174,068)</u>
Capital assets, net	<u>\$ 1,021,196</u>	<u>\$ (19,682)</u>	<u>\$ -</u>	<u>\$ 1,001,514</u>

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, 2010

NOTE 8 - LONG-TERM OBLIGATIONS

The Academy's long-term obligations during fiscal year 2010 were as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/10</u>	<u>Due Within</u> <u>One Year</u>
Mortgage loan payable	\$ 868,918	\$ -	\$ (26,623)	\$ 842,295	\$ 18,554
Compensated absences	<u>5,321</u>	<u>11,660</u>	<u>(5,321)</u>	<u>11,660</u>	<u>11,660</u>
Total long-term liabilities	<u>\$ 874,239</u>	<u>\$ 11,660</u>	<u>\$ (31,944)</u>	<u>\$ 853,955</u>	<u>\$ 30,214</u>

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 4.00%. 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:

<u>Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 18,554	\$ 34,134	\$ 52,688
2012	19,328	33,360	52,688
2013	20,134	32,553	52,687
2014	20,974	31,714	52,688
2015	21,849	30,839	52,688
2016 - 2020	123,699	139,739	263,438
2021 - 2025	151,741	111,696	263,437
2026 - 2030	186,140	77,297	263,437
2031 - 2035	228,338	35,100	263,438
2036	<u>51,538</u>	<u>1,150</u>	<u>52,688</u>
Total	<u>\$ 842,295</u>	<u>\$ 527,582</u>	<u>\$ 1,369,877</u>

NOTE 9 - SPONSORSHIP AGREEMENT WITH REYNOLDSBURG CITY SCHOOL DISTRICT

The Academy has entered into a sponsorship agreement with Reynoldsburg City School District, its 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.

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, 2010

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, disability, survivor 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 Web site, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$28,192, \$11,625 and \$9,910, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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+ 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, 2010

NOTE 10 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2010, 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, 2010, 2009 and 2008 were \$66,413, \$64,542 and \$64,682, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$5,412 made by the Academy and \$3,866 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, 2010, certain members of the Governing Board 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio Web site, www.ohsers.org, under *Employers/Audit Resources*.

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, 2010

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required 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 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,576, \$7,363 and \$6,545, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,677, \$959 and \$714, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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.

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 2010, 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, 2010, 2009, and 2008 were \$5,109, \$4,965 and \$4,976, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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, 2010

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.

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
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 2009.

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

During fiscal year 2010, the Academy paid \$363 to the Sponsor for various purchased services, primarily consisting of fingerprinting services.

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, 2010

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, 2010.

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. As a result of the review after fiscal year-end, the ODE owed the Academy \$75. This amount is recorded as an intergovernmental receivable on the statement of net assets.

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.

NOTE 16 - SUBSEQUENT EVENT

On July 2, 2010, the Academy and My Brother's Keeper, a Human Services Corp., entered into a space sharing rental agreement. The rental agreement is for administrative and classroom space located at Hermon Missionary Baptist Church in Columbus, Ohio. After an initial deposit of \$2,500, the rental payments are \$8,500 per month for the period of August 1, 2010 to June 30, 2011. This additional space is used to expand the Academy's operations to include grades K-5.

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

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

To the Governing Board:

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, 2010 and have issued our report thereon dated January 23, 2011. 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*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider findings 2010-01 and 2010-02 to be significant deficiencies. 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.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-03, 2010-04, and 2010-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Government's management in a separate letter dated January 23, 2011.

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

We intend this report solely for the information and use of the Governing Board, management of the A+ Arts Academy, and the Community School's sponsor, and others within the Government. We intend it for no one other than these specified parties.



Kennedy Cottrell Richards LLC

January 23, 2011

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

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

FINDING NUMBER 2010-01

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 does not approve the hiring of employees or salary amounts. Additionally, the Academy does not have a formal salary schedule for classified employees and the pay amounts and increases for these employees are not supported by any type of formal documentation.
- The Academy does not prepare contracts nor is there any formal documentation stating the rate of pay for classified employees whom are paid an hourly or daily rate.

We recommend the Academy's Board in conjunction with management adopt a formal salary schedule and pay schedule for classified employees and that the Board approves all new hires and pay rates.

Officials Response:

The Board approved all new hires and their salary amount for the 2010-2011 school year and will continue to do so from this point forward. In addition, the Academy will prepare salary schedules for classified and non classified employees.

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDING NUMBER 2010-02

Significant Deficiency- Financial Reporting

The presentation of materially correct financial statements and the related footnotes is the responsibility of management of the Academy. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect misstatements in the financial statements and footnotes prior to audit.

Our audit identified misstatements in the Academy's financial statement that, although not material, were necessary to present the financial statements in conformity with accounting principles generally accepted in the United States of America.

We provided the Treasurer adjusting entries which were posted and subsequently corrected the misstatements. The misstatements are an indicator that the Academy needs to improve or strengthen their existing control procedures related to financial reporting.

We recommend the Academy consider modifying their existing control procedures over the financial reporting process to include an independent review of the financial statements and the related journal entires. The review should be conducted by an individual that is knowledgeable of generally accepted accounting principles and the review should take place prior to the start of the audit.

Officials Response:

The misstatement identified was related to capital asset additions. The Board's fixed asset threshold is \$1,000; from this point forward the Treasurer will ensure that all fixed asset additions meet this threshold in order to ensure that the financial statements are materially correct.

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDING NUMBER 2010-03

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 which is not 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.

Officials Response:

The Board has instructed the Treasurer to pay an additional \$1,000 towards the principal on this loan in order to pay off the loan before the stated thirty year term in the mortgage agreement. However, these increased payments will not pay off the loan within the required fifteen year limit. In order to comply with this Ohio Revised Code, the Board is considering gradually increasing the mortgage payments in future years.

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDING NUMBER 2010-04

Noncompliance – Community School Sponsorship Contract

A+ Arts Academy has entered into a sponsorship contract with Reynoldsburg City School District. The sponsorship contract identifies specific requirements that the Academy must adhere to in order to remain open as a community school.

Our audit identified noncompliance with two requirements identified in the sponsorship contract between A+ Arts Academy and Reynoldsburg City School District, as follows:

- Section 8(c) (vi) of the sponsorship contract states that the Fiscal Officer of A+ Arts Academy shall “serve as clerk for the Governing Authority and perform all duties associated with such position, including but not limited to taking and preparing minutes of meetings and providing the appropriate notices under the Ohio’s open meeting (sunshine) law”. We noted that the Treasurer of A+ Arts Academy did not attend any board meetings during the audit period; as such, the Treasurer was unable to fulfill the required duties outlined in the sponsorship contract.
- Attachment III of the Sponsorship contract states that “A regular meeting of the Board of Directors shall be held monthly ... to discuss the business and progress of the school.” We noted that the Board met six out of the twelve months during the audit period.

We recommend that the Academy take steps to ensure they are in compliance with all of the requirements set forth in the sponsorship contract; specifically the requirements identified above.

Officials Response:

The Academy understands the importance of adhering to the requirements set forth in their Sponsorship Contract. The Treasurer began attending Board meetings in August 2010. Additionally, the Board has begun meeting more frequently in fiscal year 2011.

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

FINDING NUMBER 2010-05

Noncompliance – Student Enrollment and Withdrawal Policies

Ohio Revised Code Section 3314.03 states that a community school must establish policies for enrolling and withdrawing pupils timely and notifying the resident public of withdrawn students or students truant for more than 105 or more consecutive hours.

The Academy has not established policies regarding the procedures for enrolling and withdrawing pupils timely and notifying the resident public of withdrawn students or students truant for more than 105 or more consecutive hours.

We recommend that the Academy develop Board approved policies regarding the Academy's process for enrolling and withdrawing pupils timely and notifying the resident public of withdrawn students truant for more than 105 or more consecutive hours.

Officials Response:

The Academy drafted enrollment and withdrawal policies in fiscal year 2011. These policies will be presented to the Board for approval at the next Board meeting.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2010

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>
2009	2009-001	Significant Deficiency – Payroll Disbursements	Partially Corrected. Repeated as finding 2010-001.
2009	2009-002	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.	Not corrected. Repeated as finding 2010-002.

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 the Board, solely to assist the Board in evaluating whether 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 the following requirements 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 district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district 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 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

January 23, 2011

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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
APRIL 5, 2011**