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

BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2011

Dave Yost • Auditor of State

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

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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

Dave Yost

Dave Yost
Auditor of State

January 6, 2012

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

TABLE OF CONTENTS

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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, 2011 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, 2011, 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 December 15, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
December 15, 2011

The management's discussion and analysis of A+ Arts Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the Academy during fiscal year 2011 are as follows:

- At fiscal year-end, total net assets of the Academy were $353,769, a $204,333 increase in comparison with the prior fiscal year-end.
- Current assets increased $136,728, or 92 percent, in comparison with the prior fiscal year-end.
- Long-term liabilities decreased $40,870, or 5%, in comparison with the prior fiscal year-end.
- Net assets increased $204,333 during the fiscal year, compared with a $1,723 decrease in the prior fiscal year.

Using this Financial Report

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

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

The statement of cash flows 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 pages 9 and 10 of this report.

Table 1 provides a summary of the School's net assets for fiscal year 2011 compared to those reported for fiscal year 2010.

Table 1

Net Assets

	2011	2010
Assets:		
Current assets	$ 284,763	$ 148,035
Non-current assets	1,029,821	1,001,514
Total Assets	1,314,584	1,149,549
Liabilities		
Current liabilities	177,944	176,372
Long-term liabilities	782,871	823,741
Total Liabilities	960,815	1,000,113
Net Assets:		
Invested in capital assets, net of related debt	222,136	159,219
Restricted	30,390	19,390
Unrestricted	101,243	(29,173)
Total Net Assets	$ 353,769	$ 149,436

Current assets increased by $136,728, which represents a 92 percent increase from current assets reported for fiscal year 2010. This increase is the due to an increase in cash and cash equivalents as a result of increased enrollment.

Long-term liabilities decreased $40,870, or 5%, in comparison with the prior fiscal year-end. This decrease is the result of principal payments made towards the Academy's mortgage note.

The total net assets increased $204,333 during the fiscal year. The following demonstrates the details of this increase.

Table 2
Change in Net Assets

	2011	2010
Operating Revenues:		
State Foundation	$ 1,615,804	$ 894,980
Tuition and fees	20,074	13,480
Charges for Services	39,340	36,727
Other	20,680	36,983
Total Revenues	1,695,898	982,170
Operating Expenses:		
Personal Services	1,360,762	912,567
Purchased Services	537,424	238,106
Materials and Supplies	173,348	121,998
Depreciation	50,806	46,415
Other	38,049	36,634
Total Operating Expenses	2,160,389	1,355,720
Non-Operating Revenues/Expenses		
Federal and State Grants	700,570	408,429
Donations	3,309	-
Interest and Fiscal Charges	(33,253)	(36,602)
Loss on Disposal of Capital Assets	(1,802)	-
Total Expenses	668,824	371,827
Change in Net Assets	204,333	(1,723)
Net Assets, beginning of year	149,436	151,159
Net Assets, end of year	$ 353,769	$ 149,436

The significant increases in Foundation Revenues, Operating Expenses, and Federal and State Grants are the result of the Academy's 79% increase in enrollment from fiscal year 2010 to fiscal year 2011.

Budget Highlights

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

Capital Assets and Debt Administration

As of fiscal year end, the Academy has $1,029,821 invested in capital assets, an increase of $28,307 in comparison with the prior fiscal year. This increase represents the amount in which capital asset additions ($80,915) exceeded current year depreciation ($50,806) and loss on disposals ($1,802). See Note 7 for more information.

Debt

As of fiscal year-end, the Academy had $807,685 outstanding for a mortgage loan. The Academy paid $34,610 on the debt during the fiscal year. See Note 8 for more information.

Current Financial Related Activities

The Academy is sponsored by the Reynoldsburg City School District. The Academy is reliant upon State and Federal Foundation monies to offer quality educational services to students. In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer, A+ Arts Academy, 2283 Sunbury Road, Columbus, Ohio 43219.

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

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

Assets:		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	$	217,727
Intergovernmental Receivable		61,105
Prepaid items		5,931
Total Current Assets		284,763
Noncurrent Assets		
Nondepreciable Capital Assets		147,642
Depreciable Capital Assets, Net		882,179
Total Noncurrent Assets		1,029,821
Total Assets		1,314,584
Liabilities:		
Current Liabilities		
Accounts Payable		18,224
Accrued Wages and Benefits		81,913
Intergovernmental Payable		27,752
Mortgage Loan Payable		24,814
Unearned Revenue		12,735
Compensated Absences		12,506
Total Current Liabilities		177,944
Long-Term Liabilities:		
Mortgage Loan Payable		782,871
Total Noncurrent Liabilities		782,871
Total Liabilities		960,815
Net Assets:		
Invested in Capital Assets , Net of Related Debt		222,136
Restricted for:		
Food Service Program		277
Federally Funded Programs		30,113
Unrestricted		101,243
Total Net Assets	$	353,769

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, 2011

Operating Revenues:	
State Foundation	$ 1,615,804
Tuition and Fees	20,074
Charges for Services	6,607
Extracurricular	32,733
Other	20,680
Total Operating Revenues	1,695,898
Operating Expenses:	
Salaries and Wages	1,117,683
Fringe Benefits	243,079
Purchased Services	537,424
Materials and Supplies	173,348
Depreciation	50,806
Other	38,049
Total Operating Expenses	2,160,389
Operating Income (Loss)	(464,491)
Non-Operating Revenues (Expenses):	
Federal and State Grants	700,570
Donations	3,309
Interest Expense	(33,253)
Loss on Disposal of Capital Assets	(1,802)
Total Non-Operating Revenues (Expenses)	668,824
Change in Net Assets	204,333
Net Assets Beginning of Year	149,436
Net Assets End of Year	$ 353,769

See accompanying notes to the basic financial statements.

A+ ARTS ACADEMY
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FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Cash Received from State Foundation	$ 1,596,557
Cash Received from Tuition and Fees	20,079
Cash Received from Charges for Services	6,607
Cash Received from Extracurricular	32,733
Cash Received from Other	43,078
Cash Payments for Salaries and Wages	(1,110,701)
Cash Payments for Fringe Benefits	(235,421)
Cash Payments for Purchased Services	(529,812)
Cash Payments for Materials and Supplies	(166,313)
Cash Payments for Other	(37,769)
Net Cash Used for Operating Activities	(380,962)
Cash Flows from Noncapital Financing Activities	
Cash Received from Federal and State Grants	665,085
Cash Received from Donations and Contributions	3,230
Net Cash Provided by Noncapital Financing Activities	668,315
Cash Flows from Capital and Related Financing Activities:	
Principal Retirement	(34,610)
Interest and Fiscal Charges	(33,253)
Acquisition of Capital Assets	(80,915)
Net Cash Used for Capital and Related Financing Activities	(148,778)
Net Increase in Cash and Cash Equivalents	138,575
Cash and Cash Equivalents at Beginning of Year	79,152
Cash and Cash Equivalents at End of Year	$ 217,727

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, 2011

Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Income (Loss)	$	(464,491)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:		
Depreciation		50,806
Changes in Assets and Liabilities:		
Accounts Receivable		21,710
Intergovernmental Receivable		(18,554)
Prepaid Items		(5,931)
Accounts Payable		18,080
Accrued Wages		7,889
Intergovernmental Payable		8,683
Compensated Payable		846
Net Cash Used for Operating Activities	$	(380,962)

See accompanying notes to the basic financial statements.

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 Sponsor for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

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 27 non-certified staff members and 25 certified full time teaching personnel who provide services to 251 students.

2. Summary of Significant Accounting Policies:

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

2. Summary of Significant Accounting Policies (Continued):

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.

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

B. 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 and Cash Equivalents

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

E. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy has maintained a capitalization threshold of $1,000. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized, but are expended when incurred.

2. Summary of Significant Accounting Policies (Continued):

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

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

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

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Foundation revenue during the fiscal year totaled $1,615,804.

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 revenue for the fiscal year totaled $700,570.

H. Operating and Non-Operating Revenues and Expenses

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

2. Summary of Significant Accounting Policies (Continued):

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

I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Compensated Absences Policy

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.

3. Accountability and Compliance

Change in Accounting Principles

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

GASB Statement No. 54 addresses accounting and financial reporting standards for new categories for reporting fund balance and revises the definitions for governmental fund types. The implementation of GASB Statement No. 54 did not have a significant effect on the financial statements of the Academy.

GASB Statement No. 53 improves the quality of accounting financial reporting by providing updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

4. Deposits

At fiscal year-end, the carrying amount of the Academy's deposits was $217,727 and the bank balance was $256,795. The Academy's entire bank balance was covered by the Federal Depository Insurance Corporation.

5. Receivables

At fiscal year-end, intergovernmental receivables, consisting primarily of federal grants, totaled $61,105. All intergovernmental receivables are considered collectible within one year.

6. Purchased Services

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

Instructional Services	$ 57,828
Property Services	227,184
Utilities	34,268
Contracted Food Services	103,389
Purchased Transportation	36,527
Other Purchased Services	78,228
Total	$ 537,424

7. Capital Assets

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

Capital Assets:	**Beginning Balance**	**Additions**	**Deletions**	**Ending Balance**
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	191,014	80,915	(34,514)	237,415
Total Capital Assets, being depreciated	1,027,940	80,915	(34,514)	1,074,341
Less Accumulated Depreciation:				
Land Improvements	(1,286)	(857)	-	(2,143)
Buildings and Improvements	(60,601)	(14,807)	-	(75,408)
Furniture and Equipment	(112,181)	(35,142)	32,712	(114,611)
Total Accumulated Depreciation	(174,068)	(50,806)	32,712	(192,162)
Depreciable Capital Assets, Net	853,872	30,109	(1,802)	882,179
Total Capital Assets, Net	1,001,514	30,109	(1,802)	1,029,821

8. Long-term Obligations

Changes in the Academy's long-term obligations during the fiscal year were as follows:

	Beginning Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011	Due Within One Year
Mortgage loan payable	$ 842,295	$ -	$ (34,610)	$ 807,685	$ 24,814
Compensated absences	11,660	12,506	(11,660)	12,506	12,506
Total Long-term Liabilities	$ 853,955	$ 12,506	$ (46,270)	$ 820,191	$ 37,320

Mortgage loan payable: On May 31, 2006 the Academy issued a mortgage loan in the amount of $915,000 with an interest rate of 8.25% (variable rate) to be repaid over 30 years and it is currently at an interest rate of 3.75%. The loan was issued to purchase a building which is used as classrooms for the Academy. 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
2012	$ 24,814	$ 27,873	$ 52,687
2013	25,697	26,991	52,688
2014	26,611	26,077	52,688
2015	27,557	25,130	52,687
2016	28,537	24,150	52,687
2017-2021	158,652	104,785	263,437
2022-2026	188,946	74,492	263,438
2027-2031	225,024	38,414	263,438
2032-2033	101,847	3,763	105,610
Total	$ 807,685	$ 351,675	$ 1,159,360

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.

10. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions for pension obligation to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were $37,210, $28,192, and $11,625, respectively; 75 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years' 2010 and 2009. The Academy's unpaid contribution has been recorded as a liability.

B. State Teachers Retirement System

Plan Description - The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

10. Defined Benefit Pension Plans (Continued):

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

10. Defined Benefit Pension Plans (Continued):

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The Academy's required contributions for pension obligation for the fiscal years ended June 30, 2011, 2010, and 2009 were $105,412, $66,413, and $64,542, respectively; 92 percent has been contributed for fiscal years 2011 and 100 percent has been contributed for fiscal years' 2010 and 2009. The Academy's unpaid contribution has been recorded as a liability.

C. Social Security System

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

11. Postemployment Benefits

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was $96.40 for most participants, but could be as high as $369.10 per month depending on their income. SERS' reimbursement to retirees was $45.50.

11. Postemployment Benefits (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The Academy's required contributions to the Medicare B Fund for the fiscal years ended June 30, 2011, 2010, and 2009 were $2,395, $1,677, and $959, respectively; the Academy has contributed 75 percent for fiscal year 2011 and 100 percent for fiscal years' 2010 and 2009.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's required contributions assigned to health care, including the surcharge, for the fiscal years ended June 30, 2011, 2010, and 2009 were $8,320, $3,576, and $7,363, respectively; 75 percent has been contributed for fiscal years 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report.* The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description **-** The Academy contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

11. Postemployment Benefits (continued)

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The Academy's required contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were $8,109, $5,109, and $4,965, respectively; 92 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

12. Other Employee Benefits

A. Medical, Life, Dental and Vision Insurance Benefits

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

B. Compensated Absences

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

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	$ -
Aggregate		2,000,000	-
Building and Contents	Ohio Casualty	1,329,468	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 2010.

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.

14. Related Party Transactions

During the fiscal year, the Academy paid $660 to the Sponsor for various purchased services, primarily consisting of fingerprinting services.

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, 2011.

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 fiscal year 2011 review revealed the Academy was underpaid by $19,322. This amount has been recorded as Intergovernmental Receivable at fiscal year-end.

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.

16. Space Sharing Agreement

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. The Academy paid rental payments in the amount of $130,500 during the fiscal year. This additional space is used to expand the Academy's operations to include grades K-5. The Academy has extended the lease for fiscal year 2012.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

Federal grantor/Pass through grantor/Program title	Federal CFDA Number	Grant Year	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Pass-through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	10.553	2011	$ 36,532	$ 36,532
National School Lunch Program	10.555	2011	90,283	90,283
Total U.S. Department of Agriculture			126,815	126,815
U.S. DEPARTMENT OF EDUCATION				
Pass-through Ohio Department of Education:				
Title I Cluster				
School Improvement, Sub A Title I	84.010	2011	19,249	17,390
Title I Grants to Local Education Agencies	84.010	2010	9,247	12,833
Title I Grants to Local Education Agencies	84.010	2011	215,770	205,900
ARRA- Title I Grants to Local Education Agencies	84.389	2010	(5,418)	-
ARRA- Title I Grants to Local Education Agencies	84.389	2011	24,745	24,745
Total Title I Cluster			**263,593**	**260,868**
Special Education-Grants to States	84.027	2011	27,562	26,372
Safe and Drug Free Schools and Communities	84.186	2010	(220)	-
Safe and Drug Free Schools and Communities	84.186	2011	749	749
Total Safe and Drug Free Schools and Communities			**529**	**749**
Title II-D Technology Fund	84.318	2010	(4)	
Title II-D Technology Fund	84.318	2011	743	743
Total Title II-D Technology Fund			**739**	**743**
Title II-A - Improving Teacher Quality	84.367	2010	(860)	573
Title II-A - Improving Teacher Quality	84.367	2011	8,569	7,597
Total Title II-A Improving Teacher Quality			**7,709**	**8,170**
School Improvement Grants	84.377	2010	28,522	15,684
School Improvement Grants	84.377	2011	6,783	4,378
Total Title I School Improvement			**35,305**	**20,062**
ARRA- State Fiscal Stabilization Fund	84.394	2010	-	5,105
ARRA- State Fiscal Stabilization Fund	84.394	2011	135,993	135,445
Total ARRA- State Fiscal Stabilization Fund			**135,993**	**140,550**
ARRA- Race to the Top	84.395	2011	3,730	14,602
Education Jobs Fund	84.410	2011	56,510	44,652
Total U.S. Department of Education			531,670	516,768
Totals			$ 658,485	$ 643,583

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

A+ ARTS ACADEMY
FRANKLIN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS
Certain Federal programs require that the Academy contribute non-Federal funds (matching funds) to support the federally-funded programs. The Academy has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - CHILD NUTRITION CLUSTER
Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – TRANSFERS

The Academy generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a School can transfer unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2011, the Ohio Department of Education (ODE) authorized the following transfers:

Program title	Federal CFDA Number	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Education Agencies	84.010	2010	$7,368	-
Title I Grants to Local Education Agencies	84.010	2011	-	$7,368
School Improvement, Sub G	84.377	2010	22,268	-
School Improvement, Sub G	84.377	2011	-	22,268
Title II-A	84.318	2010	2,067	-
Title II-A	84.318	2011	-	2,067
Title IV-A Safe & Drug Free Schools	84.186	2010	749	-
Title IV-A Safe & Drug Free Schools	84.186	2011	-	749
ARRA- Title I	84.389	2010	24,745	-
ARRA- Title I	84.389	2011	-	24,745
Totals			$ 57,197	$ 57,197

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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
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, 2011, and have issued our report thereon dated December 15, 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 and questioned costs that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-04 and 2011-05 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 and questioned costs as items 2011-01 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 15, 2011.

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

We intend this report solely for the information and use of management, the Governing Board, the Community School's sponsor, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
December 15, 2011

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Governing Board:

Compliance

We have audited the compliance of A+ Arts Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

As described in findings 2011-06 and 2011-09 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles, and equipment management applicable to its Title I and State Fiscal Stabilization Fund major federal programs. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the A+ Arts Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings and questioned costs as items 2011-06 through 2011-010. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We intend this report solely for the information and use of management, the Governing Board, the School Sponsor, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
December 15, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA # 84.010 ARRA-CFDA # 84.389 ARRA-State Fiscal Stabilization Fund CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-01

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.

<u>Officials Response:</u>

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.

FINDING NUMBER 2011-02

Noncompliance – Student Enrollment and Withdrawal Policies

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

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

<u>Officials Response:</u>

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.

FINDING NUMBER 2011-03

Noncompliance – Governing Board

Ohio Revised Code § 3314.02 (E) states in part a Community School should be under the direction of a governing authority which shall consist of a board of not less than five individuals. Further, the board members cannot be owners or employees of the Community School.

During our audit period from October 31, 2010 through the date of this report, the Academy operated with a board consisting of four members.

We recommend the governing body of the Academy is organized in accordance with Ohio Revised Code.

Officials' Response:

The Academy is aware of this requirement and are currently working to fill the vacant board position.

FINDING NUMBER 2011-04

Noncompliance/Significant Deficiency – Community School Sponsorship Contract

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

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

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 the Board met nine out of the twelve months during the audit period. We also noted the Board reviewed and approved monthly financial reports for three of the twelve months during the audit period. The lack of effective monitoring controls could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the governing board, noncompliance with federal or state laws or regulations, which could result in a loss of funding from these sources, and errors or irregularities occurring in financial transactions affecting the bank reconciliations which go undetected.

Additionally, to ensure compliance with laws and regulations and grant agreements, it is important that monitoring controls are established to oversee whether management's objectives are being achieved. Effective monitoring controls should assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements. Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of large or unusual transactions;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);

FINDING NUMBER 2011-04 (Continued)

- Monitoring compliance with grant agreements; and
- Review of monthly bank reconciliations by someone independent of their preparation.

We recommend that management develop and implement timely monitoring controls over the relevant areas listed above.

Officials Response:

The Board will hold regular monthly meetings from this point forward and will document in its minutes the review and approval of monthly financial reports.

FINDING NUMBER 2011-05

Significant Deficiency- Payroll Disbursements

See Federal Finding 2011-06 in Section 3 below. *Government Auditing Standards* also requires us to report this finding in this section of this Schedule.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-06
CFDA Title and Number	Title I - CFDA # 84.010 and 84.389 State Fiscal Stabilization Fund- CFDA #84.394
Federal Award Number/Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Questioned Costs/Significant Deficiency - Payroll Disbursements

2 C.F.R. Part 225 Appendix A Section C states in part to be allowable under Federal awards, costs must be adequately documented.

During our review of the Academy's payroll transaction cycle, we noted the Academy does not prepare contracts nor is there any formal documentation stating the rate of pay for classified employees who are paid an hourly or daily rate.

The total payroll charged to the Title I grant during fiscal year 2011 was $183,406. For 4 of the 7 employees selected for testing, there was no contract or formal documentation stating the rate of pay. Total payroll for these 4 employees charged to the Title I grant was $51,831.

FINDING NUMBER 2011-06 (Continued)

The total payroll charged to the State Fiscal Stabilization Fund grant during fiscal year 2011 was $80,339. For 1 of the 4 employees selected for testing, there was no contract or formal documentation stating the rate of pay. Total payroll for this employee charged to the State Fiscal Stabilization Fund grant was $32,269.

Accordingly, a questioned cost is issued in the amount of $51,831 for the cost of the unsupported payroll charged to the Title I grant and a questioned cost is issued in the amount of $32,269 for the cost of the unsupported payroll charged to the State Fiscal Stabilization Fund grant.

We also noted the following control weaknesses:

- Beginning in April 2011, there is no documentation of the Treasurer's review of timesheets or evidence the timesheet totals were compared to the payroll system reports prior to the processing of paychecks to ensure that timesheets were correctly entered into the payroll system.
- There is no evidence that at the beginning of the fiscal year, the Treasurer performed a review of the standing data, including salary amounts, to ensure the pay amounts for salaried employees per the payroll system agree to the contract amounts.

These weaknesses appear to be due to the resignation of the previous treasurer.

We recommend the Academy implement procedures such as contracts, to ensure that documentation supporting all payroll charges including those charged to the Title I and State Fiscal Stabilization Fund programs are maintained to demonstrate expenditures are allowable and properly supported.

Officials' Response and Corrective Action Plan:

Beginning in July 2011, the Academy has employed a new full-time Treasurer and these weaknesses have been corrected.

Finding Number	2011-07
CFDA Title and Number	Title I - CFDA # 84.010 and 84.389 State Fiscal Stabilization Fund- CFDA #84.394
Federal Award Number/Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency - Purchasing Authorization Controls

2 CFR part 215 requires that non-Federal entities receiving Federal funds establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

FINDING NUMBER 2011-07 (Continued)

During our audit, we developed an understanding of the Academy's internal control procedures over non-payroll disbursements and noted the Academy has implemented various internal control procedures for the authorization of expenditures; however, we noted there is no documentation that invoices are reviewed and approved by the purchaser indicating the goods and/or services were received and it is okay to pay the invoice. Failure to obtain the approval of the purchaser could lead to unauthorized or unallowable purchases being made without the timely detection of management.

We recommend the Academy implement policies and procedures to ensure expenditures are properly authorized. The authorization should be documented in a manner that creates an audit trail.

Officials Response and Corrective Action Plan:

The Academy will implement policies and procedures to ensure expenditures are properly authorized and evidenced by documentation that is maintained for audit purposes.

Finding Number	2011-08
CFDA Title and Number	Title I - CFDA # 84.010 and 84.389 State Fiscal Stabilization Fund- CFDA #84.394
Federal Award Number/Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

See (GAGAS) finding 2011-04 above; A-133 also requires us to report this finding in this section of the schedule of findings because of its affect on federal programs; the individuals in charge of monitoring federal grant financial activity may not have been able to effectively carry out those responsibilities.

Finding Number	2011-09
CFDA Title and Number	State Fiscal Stabilization Fund- CFDA #84.394
Federal Award Number/Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency/Noncompliance: Equipment Management

2 CFR 215.34 (f)(1) states that property management standards for equipment acquired with federal funds shall include the following information:

(i) A description of the equipment.
(ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
(iii) Source of the equipment, including the award number.
(iv) Whether title vests in the recipient or the Federal Government.
(v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
(vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment.
(vii) Location and condition of the equipment and the date the information was reported.
(viii) Unit acquisition cost.
(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

During our procedures, we noted the Academy purchased 30 laptops totaling $39,000 with State Fiscal Stabilization Fund grant funds and has not developed adequate internal control procedures including tagging assets with unique identification numbers and maintaining records that include the location of the assets to ensure compliance with grant requirements.

We recommend the Academy's management implement policies and procedures to ensure the Academy's capital asset records are maintained in accordance with the above noted CFR section.

Officials Response and Corrective Action Plan:

The Academy will develop a capital asset policy that includes the recording, safekeeping, and tracking of capital assets.

Finding Number	2011-10
CFDA Title and Number	Title I - CFDA # 84.010 and 84.389
Federal Award Number/Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency: Title I Eligibility Determinations

Title I, Section 1113 of Elementary School and Secondary Education Act (ESEA) (20 USC 6313) states that Title I, Part A funds received under this part shall use funds received under this part only in a school attendance area in which the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the local educational agency as a whole.

To identify eligible school attendance areas, the local educational agency shall use the same measure of poverty, which measure shall be the number of children ages 5 through 17 in poverty counted in the most recent census data approved by the Secretary, the number of children eligible for free and reduced priced lunches under the Richard B. Russell National School Lunch Act, the number of children in families receiving assistance under the State program funded under part A of title IV of the Social Security Act, or the number of children eligible to receive medical assistance under the Medicaid program, or a composite of such indicators, with respect to all school attendance areas in the local educational agency.

For fiscal year 2011, the Academy elected to measure its poverty level by the number of children eligible for free and reduced priced lunches under the Richard B. Russell National School Lunch Act.

7 CFR 245.6 provides that each child receiving free and reduced lunches must annually submit an application to the School. The School must then certify a child's family income and family size and place him/her within income eligibility standards issued by the Office of Food Nutrition Services. The application must be approved and maintained on file.

7 CFR 245 6a requires that by December 15 of each school year a participating school (school food authority-SFA) must verify the information presented on a sample of the applications that it has approved for free and reduced price meals. The verification sample size is based on the number of approved applications on file on October 31st. SFAs may select the sample by either of two methods specified in the section. Further, the SFA must follow-up on children determined ineligible for free and reduced price meals and change the category of such children determined ineligible.

7 CFR 245.6a, c states that the school verifying applications shall maintain on file for review a description of the verification to be accomplished. The description shall include:

(1) A summary of the verification efforts including the techniques to be used;
(2) the total number of applications on file by October 31;
(3) the percentage or number of applications verified;
(4) all verified applications must be readily retrievable by the school and include all documents submitted by the household in an effort to confirm eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission;
(5) documentation of any changes in eligibility and the reasons for the changes; and
(6) all relevant correspondences between the household selected for verification and the school food authority/school.

The Academy's current policies and procedures are insufficient to ensure that proper eligibility determinations are being made and that the verification process is taking place. This was evidenced by the Academy being unable to provide documentation of the applications that were selected for verification.

We recommend the Academy maintain all records used to determine eligibility for Title I services. Those policies and procedures at a minimum should incorporate the requirements of the above noted CFR sections.

FINDING NUMBER 2011-10 (Continued)

Officials Response and Corrective Action Plan:

The Academy will implement procedures to ensure supporting documentation related to eligibility determinations is maintained.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2011

Fiscal Year	Finding Number	Finding Summary	Status
2010	2010-01	Significant Deficiency Payroll Disbursements	Not Corrected. Repeated as finding 2011-06
2010	2010-02	Significant Deficiency Financial Reporting	Corrected.
2010	2010-03	Non-compliance Borrowing	Not Corrected. Repeated as finding 2011-01
2010	2010-04	Non-compliance Community School Sponsorship Contract	Not Corrected. Repeated as finding 2011-04
2010	2010-05	Non-compliance Student Enrollment and Withdrawal Policies	Not Corrected. Repeated as finding 2011-02

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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

1. We noted the Academy did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Academy to amend its definition by September 28, 2010.

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 Governing Board and the Academy sponsor 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
December 15, 2011

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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
JANUARY 19, 2012

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