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

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

MITCH BIEDERMAN, TREASURER

Mary Taylor, CPA
Auditor of State

Governing Board
A+Arts Academy
7244 East Main Street
Reynoldsburg, Ohio 43068

We have reviewed the *Independent Auditor's Report* of the A+Arts Academy, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 15, 2008

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

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Governing Board
A+ Arts Academy
7244 E. Main Street
Reynoldsburg, OH 43068

We have audited the accompanying financial statements of A+ Arts Academy, Franklin County, Ohio, a component unit of Reynoldsburg City School District, as of and for the fiscal year ended June 30, 2008. These financial statements are the responsibility of A+ Arts 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the A+ Arts Academy, as of June 30, 2008, and the respective changes in financial position and its cash flows for the fiscal 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 9, 2008, on our consideration of A+ Arts Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered 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 required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 9, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008. 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 2008 are as follows:

- In total, net assets were $121,740 at June 30 2008.

- The Academy had operating revenues of $920,303 and operating expenses of $1,069,183 for fiscal year 2008. The Academy also received $172,901 in Federal and State grants during fiscal year 2008.

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 2008?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The table below provides a comparison of the Academy's net assets for fiscal years 2008 and 2007.

Net Assets

	2008	2007
Assets:		
Current assets	$ 85,548	$ 97,068
Non-current assets	1,033,390	1,078,250
Total assets	1,118,938	1,175,318
Liabilities:		
Current liabilities	105,748	107,079
Long -term liabilities	891,450	900,028
Total liabilities	997,198	1,007,107
Net assets:		
Invested in capital assets, net of related debt	133,362	170,955
Restricted	8,767	18,672
Unrestricted (deficit)	(20,389)	(21,416)
Total net assets	$ 121,740	$ 168,211

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Academy's net assets totaled $121,740, of which $8,767 is restricted in use.

Capital Assets

At fiscal year-end, capital assets represented 92.36% of total assets. Capital assets consisted of land, a building and furniture and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2008, were $133,362. 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.

Debt Administration

At June 30, 2008, the Academy had an outstanding mortgage loan in the amount of $900,028. Of this total, $8,578 is due within one year and $891,450 is due within greater than one year.

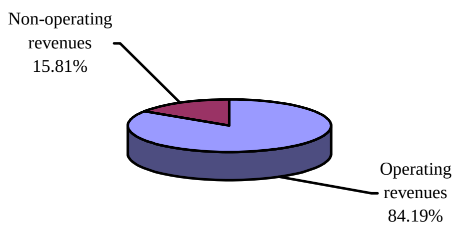
The table below provides a comparative analysis of the changes in net assets for fiscal years 2008 and 2007.

Change in Net Assets

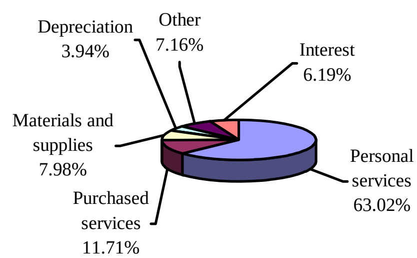
	2008	2007
Operating revenues:		
State foundation	$ 882,694	$ 937,628
Tuition and fees	120	-
Charges for services	26,790	32,456
Other	10,699	6,362
Total operating revenue	920,303	976,446
Operating expenses:		
Personal services	718,280	700,941
Purchased services	133,554	264,786
Materials and supplies	90,967	175,907
Depreciation	44,860	31,623
Other	81,522	75,705
Total operating expenses	1,069,183	1,248,962
Non-operating revenues/expenses:		
Federal and state grants	172,901	528,273
Interest and fiscal charges	(70,492)	(83,135)
Total non-operating revenues/expenses	102,409	445,138
Change in net assets	(46,471)	172,622
Net assets/(deficit) at beginning of year	168,211	(4,411)
Neta assets at end of year	$ 121,740	$ 168,211

The charts below illustrate the revenues and expenses for the Academy during fiscal years 2008 and 2007.

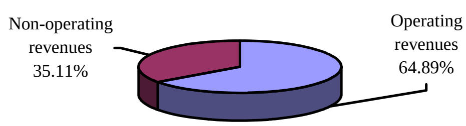
2008 Revenues



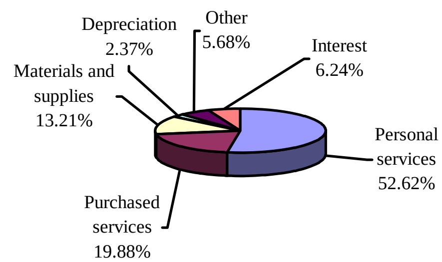
2008 Expenses



2007 Revenues



2007 Expenses



Current Financial Related Activities

Foundation and DPIA collections are the primary source of funding received by Academy representing 95.92% of total operating revenues. The majority of other State and Federal aid in the non-operating revenues came from the Ohio Department of Education in the form of Title I and IDEA-B funds. These monies were used to finance educational opportunities to those students participating in the Academy's programs.

Payroll and fringe benefits totaled $718,280 or 65.71% of total revenues and 63.02% of the operating expenses. Purchased services expense includes expenses incurred from fees for professional services, building services, training, consulting and advertising, primarily.

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 Mr. Mitchell Biederman, Treasurer, A+ Arts Academy, 7244 East Main Street, Reynoldsburg, Ohio 43068.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:		
Current assets:		
Equity in pooled cash and cash equivalents. . .	$	61,511
Receivables:		
Accounts		583
Intergovernmental		23,454
Total current assets		85,548
Non-current assets:		
Land		147,642
Depreciable capital assets, net		885,748
Total non-current assets.		1,033,390
Total assets		1,118,938
Liabilities:		
Current liabilities:		
Accounts payable.		7,437
Accrued wages and benefits		60,153
Pension obligation payable		20,637
Intergovernmental payable		1,716
Current portion of mortgage loan payable . . .		8,578
Compensated absences		7,227
Total current liabilities		105,748
Long-term liabilities:		
Mortgage loan payable		891,450
Total long-term liabilities		891,450
Total liabilities		997,198
Net assets:		
Invested in capital assets, net of related debt.		133,362
Restricted for:		
Federally funded programs		8,767
Unrestricted (deficit)		(20,389)
Total net assets.	$	121,740

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, 2008

Operating revenues:	
State foundation	$ 882,694
Tuition and fees	120
Charges for services	26,790
Other	10,699
Total revenue	920,303
Operating expenses:	
Salaries and wages	600,487
Fringe benefits	117,793
Purchased services	133,554
Materials and supplies	90,967
Depreciation	44,860
Other	81,522
Total expenses	1,069,183
Operating loss	(148,880)
Non-operating revenues/(expenses):	
Federal and state grants	172,901
Interest and fiscal charges	(70,492)
Total non-operating revenues/(expenses)	102,409
Change in net assets	(46,471)
Net assets at beginning of year	168,211
Net assets at end of year	$ 121,740

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, 2008

Cash flows from operating activities:		
Cash received from foundation	$	882,694
Cash received from tuition and fees		120
Cash received from sales/charges for services		26,790
Cash received from other operations		10,116
Cash payments for salaries and wages		(599,739)
Cash payments for fringe benefits		(115,247)
Cash payments for purchased services		(132,995)
Cash payments for materials and supplies		(96,532)
Cash payments for other expenses		(82,452)
Net cash used in operating activities		(107,245)
Cash flows from noncapital financing activities:		
Federal and state grants		181,696
Net cash provided by noncapital financing activities		181,696
Cash flows from capital and related financing activities:		
Principal retirement		(7,267)
Interest and fiscal charges		(70,492)
Net cash used in capital and related financing activities		(77,759)
Net decrease in cash and cash equivalents		(3,308)
Cash and cash equivalents at beginning of year		64,819
Cash and cash equivalents at end of year	$	61,511
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(148,880)
Adjustments:		
Depreciation		44,860
Changes in assets and liabilities:		
(Increase) in accounts receivable		(583)
(Decrease) in accounts payable		(6,208)
Increase in accrued wages and benefits		4,026
(Decrease) in compensated absences payable		(2,148)
Increase in intergovernmental payable		362
Increase in pension obligation payable		1,326
Net cash used in operating activities	$	(107,245)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE ACADEMY

The A+ Arts Academy, Franklin County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide an Academy exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the A+ Arts Academy's tax exempt status. The A+ Arts Academy's objective is to deliver a unique opportunity for students who show a strong interest or talent in the visual arts which can be delivered to students in grades 6 - 8. It is to be operated in cooperation with the public schools to provide an appreciation of the visual arts through studies of its history, theory and design. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Reynoldsburg City School District (the "Sponsor") for a period of five academic years commencing after July 1, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units".

The Academy operates under the direction of a self-appointed five-member Governing Board. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 6 non-certified staff members and 15 certificated full time teaching personnel who provide services to 150 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply these FASB Interpretations. The A+ Arts Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

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

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

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03 (11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

D. Cash

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

E. Capital Assets and Depreciation

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

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

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

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted include the amounts reserved for 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 2008 was $882,694.

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 2008 received by the Academy was $172,901.

H. Estimates

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

I. Compensated Absences Policy

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2008, the Academy has implemented GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans", GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", and GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statements No. 43 and No. 45 establish uniform standards of financial reporting for other postemployment benefit plans and increase the usefulness and improve the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 43 and No. 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

At June 30, 2008, the carrying amount of the Academy's deposits was $61,511. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, all of the Academy's bank balance of $67,939 was covered by the Federal Deposit Insurance Corporation.

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

NOTE 5 - RECEIVABLES

At June 30, 2008, receivables consisted of other operating revenue and intergovernmental revenues which are considered collectible within one year and presented on the statement of net assets in the amounts of $583 and $23,454, respectively.

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional services	$ 18,503
Property services	55,564
Utilities	27,536
Transportation	1,246
Postage, advertising and shipping	30,349
Other purchased services	356
Total	$ 133,554

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Capital assets, not being depreciated:				
Land	$ 147,642	$ -	$ -	$ 147,642
Total capital assets, not being depreciated	147,642	-	-	147,642
Capital assets, being depreciated:				
Building	822,637	-	-	822,637
Furniture and equipment	144,371	-	-	144,371
Total capital assets, being depreciated	967,008	-	-	967,008
Less: accumulated depreciation				
Buildings and improvements	(16,178)	(14,808)	-	(30,986)
Furniture and equipment	(20,222)	(30,052)	-	(50,274)
Total accumulated depreciation	(36,400)	(44,860)	-	(81,260)
Capital assets, net	$ 1,078,250	$ (44,860)	$ -	$ 1,033,390

NOTE 8 - LONG-TERM OBLIGATIONS

The Academy's long-term obligations during fiscal year 2008 were as follows:

	Balance at 06/30/07	Additions	Reductions	Balance at 06/30/08	Due Within One Year
Mortgage loan payable	$ 907,295	$ -	$ (7,267)	$ 900,028	$ 8,578
Compensated absences	9,375	7,227	(9,375)	7,227	7,227
Total long-term liabilities	$ 916,670	$ 7,227	$ (16,642)	$ 907,255	$ 15,805

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 6.25%. The loan was issued to purchase a building which will be 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:

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ended	Principal	Interest	Total
2009	$ 8,578	$ 73,911	$ 82,489
2010	9,313	73,176	82,489
2011	10,111	72,378	82,489
2012	10,977	71,512	82,489
2013	11,917	70,572	82,489
2014 - 2018	76,764	335,682	412,446
2019 - 2023	115,782	296,664	412,446
2024 - 2028	174,629	237,816	412,445
2029 - 2033	263,390	149,055	412,445
2034 - 2036	218,567	28,900	247,467
Total	$ 900,028	$ 1,409,666	$ 2,309,694

NOTE 9 - FISCAL AGENT - REYNOLDSBURG CITY SCHOOL DISTRICT

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

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

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

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

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

During the fiscal year the Academy accrued cost payable to the Sponsor and paid $26,691.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

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

NOTE 10 - PENSION PLANS - (Continued)

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $9,910, $10,102 and $8,437, respectively; 48.70 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

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

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

NOTE 10 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2008, 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, 2008, 2007, and 2006 were $64,682, $61,887, and $53,917, respectively; 84.46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $3,509 made by the Academy and $3,907 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Directors have elected Social Security. The Academy's liability is 6.2% of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

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

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $6,545, $3,354, and $3,622, respectively; 48.70 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $714, $687, and $672, respectively; 48.70 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 2008, 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, 2008, 2007, and 2006 were $4,976, $4,761, and $4,147, respectively; 84.46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 and family coverage.

B. Compensated Absences

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

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy maintains insurance coverage for rental/theft, general liability and contents liability.

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

Coverage	Insurer	Coverage	Deductible
Education liability:			
Each occurrence	Indiana Insurance	$ 1,000,000	$ 0
Aggregate		3,000,000	0
Building and contents	Indiana Insurance	1,111,968	1,000
Personal Property	Indiana Insurance	200,000	1,000
Tenants Improvements	Indiana Insurance	15,000	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 2007.

B. Workers' Compensation

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

NOTE 14 - RELATED PARTY TRANSACTIONS

As parts of the Academy's contractual agreement with the Sponsor, the Academy is required to pay the Sponsor three percent (3%) of the per pupil allocation paid to the Academy from the State of Ohio for various fiscal services and support. In fiscal year 2008, the Academy paid the governing authority $26,691 during the year.

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, 2008.

NOTE 15 - CONTINGENCIES - (Continued)

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 Academy has had a review of fiscal year 2008, which resulted in the Academy owing the ODE $422. This amount was repaid via a deduction on the November, 2008 Foundation settlement.

C. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending and the effect of this suit, if any, on the Academy cannot presently be determined.

The Academy is involved in no other litigation as either plaintiff or defendant.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Governing Board
A+ Arts Academy
7244 East Main Street
Reynoldsburg, OH 43068-3585

We have audited the financial statements of A+ Arts Academy, Franklin County, Ohio, (a component unit of Reynoldsburg City School District) as of and for the fiscal year ended June 30, 2008 and have issued our report thereon dated December 9, 2008. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Governing Board
A+ Arts Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether A+ Arts Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as 2008-A+AA-001.

We noted certain other matters that we reported to the management of A+ Arts Academy in a separate letter dated December 9, 2008.

A+ Arts Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit A+ Arts Academy's response and, accordingly, we express no opinion on it.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 9, 2008

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO
JUNE 30, 2008

SCHEDULE OF FINDINGS AND RESPONSES

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-A+AA-001

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

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

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

We recommend that Academy officials take steps to monitor debt and determine there is no debt contradicting Ohio Revised Code Section 3314.08(J)(1)(b) at fiscal year end. Also, all debt agreements should have supporting documentation and be approved by the Board.

Client Response: The Academy will attempt to refinance and comply with this Ohio Revised Code Section.

A+ ARTS ACADEMY
(A Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY, OHIO
JUNE 30, 2008

STATUS OF PRIOR AUDIT FINDINGS

Finding Number	**Finding Summary**	**Fully Corrected?**	**Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*:**
2007-A+AA-001	Ohio Revised Code Section 3314.08(J)(1)(b) states that a school may borrow money for a term not to exceed fifteen years to acquire facilities.	No	Reported as Finding 2008-A+AA-001

Mary Taylor, CPA
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
DECEMBER 24, 2008

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