

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

**BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2013**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the A+ Arts Academy, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 26, 2014

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

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of A+ Arts Academy, Franklin County, Ohio (the Academy), a component unit of Reynoldsburg City School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A+ Arts Academy, Franklin County as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC
January 30, 2014

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

Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

The management's discussion and analysis of A+ Arts Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- Net Position of the Academy was \$322,623 at fiscal year-end, a decrease of \$101,564 in comparison with the prior fiscal year-end.
- Total assets increased \$207,024 in comparison with the prior fiscal year-end.
- Total liabilities increased \$308,588 in comparison with the prior fiscal year-end.

Using the Basic Financial Statements

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

Report Components

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

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

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

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

Table 1 provides a summary of the Academy's net position for fiscal year 2013 compared to those reported for fiscal year 2012.

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

Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Table 1
Net Position

	2013	As Restated 2012
Assets:		
Current assets	\$ 267,864	\$ 430,714
Capital assets	1,359,978	990,104
Total Assets	1,627,842	1,420,818
Liabilities:		
Current liabilities	377,515	259,359
Long-term liabilities	927,704	737,272
Total Liabilities	1,305,219	996,631
Net Position:		
Net Investment in Capital Assets	325,580	219,320
Restricted	25,722	88,952
Unrestricted	(28,679)	115,915
Total Net Position	\$ 322,623	\$ 424,187

In fiscal year 2012, the Academy prepared its basic financial statements on the cash basis of accounting. However, in fiscal year 2013 the Academy decided to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America. The fiscal year 2012 amounts for tables 1 and 2 have been restated to reflect the change in the basis of accounting.

Current assets decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in intergovernmental receivables based on timing of reimbursement requests and a decrease in cash and cash equivalents due to improvements made to the school building purchased by the Academy during the fiscal year.

Capital assets increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the Academy purchasing and making improvements to a new school building.

Total liabilities increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the Academy financing the purchase of a new school building, totaling \$300,000.

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

Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Total net position decreased \$101,564 during the fiscal year. The following demonstrates the details of this change.

Table 2
Change in Net Position

	2013	As Restated 2012
Operating Revenues:		
State Foundation	\$ 1,977,506	\$ 1,904,819
Tuition and Fees	18,870	22,436
Charges for Services	4,925	5,607
Extracurricular	40,167	45,041
Other	11,928	11,944
Total Revenues	2,053,396	1,989,847
Operating Expenses:		
Personal Services	1,734,793	1,606,729
Purchased Services	665,316	659,790
Materials and Supplies	167,871	229,280
Depreciation	53,290	53,559
Other	94,529	62,637
Total Operating Expenses	2,715,799	2,611,995
Non-Operating Revenues/Expenses:		
Federal and State Grants	588,405	724,027
Donations	2,049	968
Interest Payments	(29,615)	(32,429)
Total Non-Operating Revenues/Expenses	560,839	692,566
Change in Net Position	(101,564)	70,418
Net Position Beginning of Year, as Restated	424,187	353,769
Net Position End of Year	\$ 322,623	\$ 424,187

Federal and State Grants decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of one-time Education Jobs and Title I stimulus funding, most of which was received and spent in fiscal year 2012.

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

Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Budget Highlights

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

Capital Assets Administration

As of fiscal year end, the Academy has \$1,359,978 invested in capital assets, an increase of \$369,874 in comparison with the prior fiscal year. This increase represents the amount in which capital asset additions (\$423,164) exceeded current year depreciation (\$53,290). See Note 6 for more information.

Debt Administration

As of fiscal year-end, the Academy had \$1,034,398 in outstanding mortgage loans, an increase of \$263,614 in comparison with the prior fiscal year. This increase represents the amount in which mortgage payable additions, totaling \$300,000, exceeded principal payments made during the fiscal year, totaling \$36,386. See Note 7 for more information.

Current Financial Related Activities

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

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jennifer Smith, Treasurer, A+ Arts Academy, 7244 East Main Street, Reynoldsburg, Ohio 43068.

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

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

Assets:

Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 218,208
Accounts Receivable	1,325
Intergovernmental Receivable	<u>48,331</u>
Total Current Assets	<u>267,864</u>
Noncurrent Assets	
Nondepreciable Capital Assets	260,406
Depreciable Capital Assets, Net	<u>1,099,572</u>
Total Noncurrent Assets	<u>1,359,978</u>
Total Assets	<u>1,627,842</u>

Liabilities:

Current Liabilities	
Accounts Payable	75,324
Accrued Wages and Benefits	126,796
Intergovernmental Payable	39,432
Mortgage Loan Payable	106,694
Unearned Revenue	1,012
Compensated Absences	<u>28,257</u>
Total Current Liabilities	<u>377,515</u>
Long-Term Liabilities:	
Mortgage Loan Payable	<u>927,704</u>
Total Noncurrent Liabilities	<u>927,704</u>
Total Liabilities	<u>1,305,219</u>

Net Position:

Net Investment in Capital Assets	325,580
Restricted for:	
Food Service Program	21,500
Federally Funded Programs	1,614
Other Purposes	2,608
Unrestricted	<u>(28,679)</u>
Total Net Position	<u>\$ 322,623</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenues:	
State Foundation	\$ 1,977,506
Tuition and Fees	18,870
Charges for Services	4,925
Extracurricular	40,167
Other	11,928
Total Operating Revenues	<u>2,053,396</u>
Operating Expenses:	
Salaries and Wages	1,396,257
Fringe Benefits	338,536
Purchased Services	665,316
Materials and Supplies	167,871
Depreciation	53,290
Other	94,529
Total Operating Expenses	<u>2,715,799</u>
Operating Loss	<u>(662,403)</u>
Non-Operating Revenues/(Expenses):	
Federal and State Grants	588,405
Donations	2,049
Interest Payments	(29,615)
Total Non-Operating Revenues/(Expenses)	<u>560,839</u>
Change in Net Position	(101,564)
Net Position Beginning of Year, as Restated	424,187
Net Position End of Year	<u><u>\$ 322,623</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows From Operating Activities	
Cash Received from State Foundation	\$ 1,976,660
Cash Received from Tuition and Fees	18,410
Cash Received from Charges for Services	4,925
Cash Received from Extracurricular	39,777
Cash Received from Other	11,399
Cash Payments for Salaries and Wages	(1,399,521)
Cash Payments for Fringe Benefits	(329,487)
Cash Payments for Purchased Services	(652,708)
Cash Payments for Materials and Supplies	(168,622)
Cash Payments for Other	(94,388)
Net Cash Used by Operating Activities	<u>(593,555)</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from Federal and State Grants	683,580
Cash Received from Donations and Contributions	2,049
Net Cash Provided by Noncapital Financing Activities	<u>685,629</u>
Cash Flows From Capital and Related Financing Activities	
Cash Received from Sale of Notes	300,000
Principal Retirement	(36,386)
Interest and Fiscal Charges	(29,615)
Acquisition of Capital Assets	(381,613)
Net Cash Used by Capital and Related Financing Activities	<u>(147,614)</u>
Net Increase in Cash and Cash Equivalents	(55,540)
Cash and Cash Equivalents at Beginning of Year	273,748
Cash and Cash Equivalents at End of Year	<u><u>\$ 218,208</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Reconciliation of Operating Income/(Loss) to Net Cash
Used by Operating Activities:**

Operating Income/(Loss)	(662,403)
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**Adjustments to Reconcile Operating Income/(Loss)
to Net Cash Used by Operating Activities:**

Depreciation	53,290
Change in Assets and Liabilities:	
Accounts Receivable	(1,325)
Intergovernmental Receivable	(6,910)
Prepaid Items	21,382
Accounts Payable	(1,531)
Accrued Wages	(7,712)
Intergovernmental Payable	7,175
Compensated Absences Payable	4,479
Net Cash Used by Operating Activities	<u>\$ (593,555)</u>

See accompanying notes to the basic financial statements.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 1 – Description of the Academy

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

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

The Academy operates under the direction of a self-appointed seven-member Governing Board. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy’s two instructional/support facilities staffed by 16 non-certified staff members and 21 certified full time teaching personnel who provide services to 295 students.

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

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

B. Basis of Accounting

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

C. Cash and Cash Equivalents

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

D. Capital Assets

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

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

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Deferred Outflows/Inflows of Resources

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

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

F. Net Position

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

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

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

G. Intergovernmental Revenues

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

H. Operating and Non-Operating Revenues and Expenses

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

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

I. Estimates

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

J. Compensated Absences Policy

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

Note 3 – Change in Basis of Accounting and Restatement of Net Position

A. Change in Basis of Accounting

For fiscal year 2013, the Academy ceased to report on the cash basis and reported using accounting principles generally accepted in the United States of America as described in Note 2B.

B. Restatement of Net Position

The implementation of this change had the following effects on net position of the Academy as they were previously reported.

Net Position June 30, 2012	\$	273,748
Current Assets		156,966
Capital Assets		990,104
Current Liabilities		(259,359)
Long-Term Liabilities		(737,272)
Adjusted Net Position July 1, 2012	\$	424,187

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 4 – Deposits

At fiscal year-end, the carrying amount of the Academy’s deposits was \$218,208 and the bank balance was \$237,857. The Academy’s entire bank balance was covered by the Federal Depository Insurance Corporation.

Note 5 – Receivables

At fiscal year-end, intergovernmental receivables, consisting primarily of federal grants, totaled \$48,331. All intergovernmental receivables are considered collectible within one year.

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 147,642	\$ -	\$ -	\$ 147,642
Construction in Progress	-	112,764	-	112,764
Total capital assets, not being depreciated	<u>147,642</u>	<u>112,764</u>	<u>-</u>	<u>260,406</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	14,289	-	-	14,289
Building	822,637	300,000	-	1,122,637
Furniture and Equipment	224,976	10,400	-	235,376
Total capital assets, being depreciated	<u>1,061,902</u>	<u>310,400</u>	<u>-</u>	<u>1,372,302</u>
Less Accumulated Depreciation:				
Land Improvements	(3,000)	(858)	-	(3,858)
Building	(90,215)	(15,308)	-	(105,523)
Furniture and Equipment	(126,225)	(37,124)	-	(163,349)
Total accumulated depreciation	<u>(219,440)</u>	<u>(53,290)</u>	<u>-</u>	<u>(272,730)</u>
Depreciable Capital Assets, Net	<u>842,462</u>	<u>257,110</u>	<u>-</u>	<u>1,099,572</u>
Total Capital Assets, Net	<u>\$ 990,104</u>	<u>\$ 369,874</u>	<u>\$ -</u>	<u>\$ 1,359,978</u>

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 7 – Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2006 Mortgage loan payable	\$ 770,784	\$ -	\$ (36,386)	\$ 734,398	\$ 20,516
2013 Mortgage loan payable	-	300,000	-	300,000	86,178
Mortgages Payable	<u>770,784</u>	<u>300,000</u>	<u>(36,386)</u>	<u>1,034,398</u>	<u>106,694</u>
Compensated Absences	23,778	28,257	(23,778)	28,257	28,257
Total Long-term Liabilities	<u>\$ 794,562</u>	<u>\$ 328,257</u>	<u>\$ (60,164)</u>	<u>\$ 1,062,655</u>	<u>\$ 134,951</u>

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

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

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

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 106,694	\$ 41,927	\$ 148,621
2015	130,051	35,453	165,504
2016	127,182	28,550	155,732
2017	22,955	24,751	47,706
2018	23,831	23,875	47,706
2019-2023	133,506	105,024	238,530
2024-2028	160,992	77,538	238,530
2029-2033	194,137	44,393	238,530
2034-2036	135,050	7,943	142,993
Total	<u>\$ 1,034,398</u>	<u>\$ 389,454</u>	<u>\$ 1,423,852</u>

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 8 – Sponsorship Agreement with Reynoldsburg City School District

The Academy has entered into a sponsorship agreement with Reynoldsburg City School District (the Sponsor), 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.

On July 1, 2011, the two parties approved an addendum to the sponsorship agreement to include a provision that calls for the Sponsor to perform all accounting services for the Academy fiscal years 2012 and 2013 for an additional fee.

During the fiscal year, the Academy paid the Sponsor of \$39,542 in sponsorship fee and \$24,000 for accounting services under this agreement. The Academy also paid the Sponsor \$900 for office rental during fiscal year 2013.

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions for pension obligation to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$56,125, \$44,801, and \$37,210, respectively; The entire amount has been contributed for fiscal years 2012, and 2011. For fiscal year 2013, the Academy has contributed 75 percent of the required amount. The Academy's unpaid contribution has been recorded as a liability.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 9 – Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

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

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

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 9 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 9 – Defined Benefit Pension Plans (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, 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, 2013, 2012, and 2011 were \$126,141, \$103,354, and \$105,412, respectively; The entire amount has been contributed for fiscal years 2012, and 2011. For fiscal year 2013, the Academy has contributed 92 percent of the required amount. The Academy's unpaid contribution has been recorded as a liability.

C. Social Security System

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

Note 10 – Postemployment Benefits

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The Academy's required contributions to the Medicare B Fund for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,170, \$2,646, and \$2,395, respectively; The entire amount has been contributed for fiscal years 2012, and 2011. For fiscal year 2013, the Academy has contributed 75 percent of the required amount.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 10 – Postemployment Benefits (continued)

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. 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 2013, the minimum compensation level was established at \$20,525. 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, 2013, 2012, and 2011 were \$7,699, \$5,755, and \$8,320, respectively; The entire amount has been contributed for fiscal years 2012, and 2011. For fiscal year 2013, the Academy has contributed 75 percent of the required amount.

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

B. State Teachers Retirement System of Ohio

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

A+ ARTS ACADEMY
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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 10 – Postemployment Benefits (continued)

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012 and 2011 were \$9,703, \$7,950, and \$8,109, respectively; The entire amount has been contributed for fiscal years 2012, and 2011. For fiscal year 2013, the Academy has contributed 92 percent of the required amount.

Note 11 – Other Employee Benefits

A. Medical, Life, Dental and Vision Insurance Benefits

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

Note 12 – Contingent Liabilities

A. Grants

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

B. Litigation

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

Note 13 – Purchased Services

For the fiscal year ended June 30, 2013, purchased services disbursements were as follows:

Professional & Technical Services	\$	126,327
Property Services & Rentals		262,231
Meeting Expenses		25,590
Postage, Advertising and Printing		5,023
Utilities		43,501
Pupil Transportation		40,629
Contracted Food Services		151,518
Other Purchased Services		10,497
Total	<u>\$</u>	<u>665,316</u>

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 14 – Risk Management

A. Property and Liability

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

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

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Ohio Casualty	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Building and Contents	Ohio Casualty	1,329,468	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 2012.

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 15 – Space Sharing Agreement

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 \$189,490 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 2013.

Note 16 – Related Party Transactions

During the fiscal year, the Academy contracted with K&M Kleening for cleaning services. This company is owned by Morris Berkley, husband of the Academy's Superintendent, Carolyn Berkley. Carolyn Berkley is also the Chief Financial Officer of K&M Kleening. During the fiscal year, the Academy paid K&M Kleening \$10,244.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 17 – Change in Accounting Principles

For fiscal year 2013, the Academy has implemented the following

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, “The Financial Reporting Entity”, and the related financial reporting requirements of Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the Academy.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the Academy.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The implementation of this statement resulted in the reclassification of Net Assets to Net Position.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement did not have a significant effect on the financial statements of the Academy.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

Federal grantor/Pass through grantor/Program title	Federal CFDA Number	Grant Year	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Pass-through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	10.553	2013	\$ 60,140	\$ 60,140
National School Lunch Program	10.555	2013	141,231	141,231
Total Nutrition Cluster			201,371	201,371
Total U.S. Department of Agriculture			201,371	201,371
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Pass-through Ohio Department of Education:</i>				
Title I Cluster				
School Improvement, Sub A Title I	84.010	2012	27,366	11,763
School Improvement, Sub A Title I	84.010	2013	1,780	2,106
Title I Grants to Local Education Agencies	84.010	2012	19,329	26,543
Title I Grants to Local Education Agencies	84.010	2013	205,226	225,448
Total Title I Cluster			253,701	265,860
Special Education-Grants to States	84.027	2012	5,468	5,421
Special Education-Grants to States	84.027	2013	78,771	83,317
Total Special Education- Grants to States			84,239	88,738
Educational Technology State Grants	84.318	2012	1,565	-
Total Educational Technology State Grants			1,565	-
Improving Teacher Quality State Grants	84.367	2012	4,507	4,619
Total Improving Teacher Quality State Grants			4,507	4,619
School Improvement Grants	84.377	2011	(2,991)	-
Total School Improvement Grants			(2,991)	-
ARRA- Race to the Top	84.395	2012	146	-
ARRA- Race to the Top	84.395	2013	18,590	16,839
Total ARRA- Race to the Top			18,736	16,839
Education Jobs Fund	84.410	2012	-	5,340
Total Education Jobs Fund			-	5,340
Total U.S. Department of Education			359,757	381,396
Temporary Assistance for Needy Families	93.558	2012	110,000	122,298
Total Temporary Assistance for Needy Families			110,000	122,298
Total U.S. Department of Health and Human Services			110,000	122,298
Totals			\$ 671,128	\$ 705,065

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of A+ Arts Academy, Franklin County, (the Academy), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 30, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kennedy Cottrell Richards LLC
January 30, 2014

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

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

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the A+ Arts Academy (the Academy), a component unit of the Reynoldsburg City School District, compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the A+ Arts Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

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

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

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



Kennedy Cottrell Richards LLC
January 30, 2014

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA # 84.010 Nutrition Cluster CFDA # 10.553 CFDA # 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

SCHEDULE OF FINDINGS

**JUNE 30, 2013
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2013

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>
2012	2012-01	Noncompliance- Borrowing	Not considered direct and material non-compliance.
2012	2012-02	Noncompliance- Basis of Accounting	Corrected.
2012	2012-03	Significant Deficiency- Title I Eligibility Determinations	Corrected.

Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

1. In our report dated December 11, 2012, we noted the Academy's anti-harassment policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Academy's management regarding the aforementioned policy. They stated they have not amended the policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment;

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

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



Kennedy Cottrell Richards LLC
January 30, 2014

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Dave Yost • Auditor of State

A+ ARTS ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2014**