

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

***SINGLE AUDIT***

***FOR THE YEAR ENDED JUNE 30, 2019***







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

We have reviewed the *Independent Auditor's Report* of A+ Arts Academy, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. 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. A+ Arts Academy is responsible for compliance with these laws and regulations.

Keith Faber  
Auditor of State  
Columbus, Ohio

December 9, 2020



**A+ ARTS ACADEMY**  
**FRANKLIN COUNTY**  
**SINGLE AUDIT**  
For the year ended June 30, 2019

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FRANKLIN COUNTY  
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**REPORT OF INDEPENDENT AUDITORS**

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

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the A+ Arts Academy, Franklin County, Ohio (The Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the A+ Arts Academy as of June 30, 2019, and the changes in 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.

***Emphasis of Matter***

As discussed in Note 17 to the financial statement, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinions regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension assets/liabilities, net postemployment liabilities and pension and postemployment contributions listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the A+ Arts Academy, Franklin County, Ohio's basic financial statements.

The Federal Awards Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* and is not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020 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. 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 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.



***Charles E. Harris & Associates, Inc.***  
September 24, 2020



**A+ Arts Academy**  
**Franklin County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019  
(Unaudited)

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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, 2019. 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 2019 are as follows:

- Net Position of the Academy was negative \$3,958,961 at fiscal year-end, a decrease of \$392,832 in comparison with the prior fiscal year-end.
- Total assets increased \$129,819 and total liabilities decreased \$976,411 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.

**A+ Arts Academy**  
**Franklin County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019  
(Unaudited)

Table 1 provides a summary of the Academy's net position for fiscal year 2019 compared to those reported for fiscal year 2018.

Table 1  
Net Position

	<u>2019</u>	<u>2018</u>
Assets:		
Current Assets	\$ 78,552	\$ 268,582
Capital Assets	2,089,766	2,129,160
Net OPEB Asset	359,243	-
Total Assets	<u>2,527,561</u>	<u>2,397,742</u>
Deferred Outflows of Resources:		
Pensions	3,220,809	3,993,241
OPEB	196,098	136,348
Total Deferred Outflows of Resources	<u>3,416,907</u>	<u>4,129,589</u>
Liabilities:		
Current liabilities	1,026,103	939,045
Noncurrent liabilities	7,594,697	8,658,166
Total Liabilities	<u>8,620,800</u>	<u>9,597,211</u>
Deferred Inflows of Resources:		
Pensions	548,075	302,114
OPEB	734,354	193,935
Total Deferred Inflows of Resources	<u>1,282,429</u>	<u>496,049</u>
Net Position:		
Net Investment in Capital Assets	1,578,686	1,535,600
Restricted	48,705	71,269
Unrestricted	(5,586,152)	(5,172,798)
Total Net Position	<u>\$ (3,958,761)</u>	<u>\$ (3,565,929)</u>

Noncurrent liabilities decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of decreases in the net pension and net OPEB liabilities. These decreases are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

**A+ Arts Academy**  
**Franklin County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019  
(Unaudited)

The following table demonstrates the details of the change in net position during the fiscal year.

Table 2  
Change in Net Position

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
State Foundation	\$ 4,793,592	\$ 4,381,137
Tuition and Fees	12,836	14,597
Extracurricular	39,761	21,060
Other	81,817	61,007
Total Revenues	<u>4,928,006</u>	<u>4,477,801</u>
Operating Expenses:		
Personal Services	5,366,382	2,629,675
Purchased Services	1,381,948	1,615,726
Materials and Supplies	272,085	462,746
Depreciation	92,217	82,093
Other	69,996	83,513
Total Operating Expenses	<u>7,182,628</u>	<u>4,873,753</u>
Non-Operating Revenues/(Expenses):		
Restricted Federal and State Grants	1,718,330	1,791,104
Other Unrestricted State Grants	168,433	155,526
Donations	-	2,545
Interest Payments	(24,973)	(40,340)
Total Non-Operating Revenues/(Expenses)	<u>1,861,790</u>	<u>1,908,835</u>
Change in Net Position	(392,832)	1,512,883
Net Position Beginning of Year	<u>(3,565,929)</u>	<u>(5,078,812)</u>
Net Position End of Year	<u>\$ (3,958,761)</u>	<u>\$ (3,565,929)</u>

State Foundation increased significantly in comparison with the prior fiscal year. This increase is the result of an increase in enrollment from 632 students in fiscal year 2018 to 685 students in fiscal year 2019.

Total Operating Expenses also increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the increase in enrollment and an increase in pension/OPEB expense from negative \$1,266,285 in fiscal year 2018 to \$704,037 in fiscal year 2019. The increase pension/OPEB expense is primarily the result of changes in benefit terms, changes in actuarial assumptions, and a decrease in returns on pension plan investments, while still greater than expected.

**A+ Arts Academy**  
**Franklin County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019  
(Unaudited)

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**Capital Assets Administration**

As of fiscal-year end, the Academy had \$2.1 million invested in capital assets, a decrease of \$39,394 in comparison with the prior fiscal year-end. This decrease represents the amount in which current year depreciation (\$92,217) exceeded current year acquisitions (\$52,823). See Note 5 for more information.

**Debt Administration**

As of fiscal year-end, the Academy had \$466,890 in outstanding mortgage loans, a decrease of \$126,670 in comparison with the prior fiscal year. This decrease represents the amount of loan principal reduction payments during the fiscal year. See Note 6 for more information.

**Current Financial Related Activities**

The Academy is sponsored by the Ohio Department of Education. The Academy is reliant upon State Foundation and Federal Grant 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 Joel McCloskey, Treasurer, A+ Arts Academy, 2633 Maybury Road, Columbus, Ohio 43232.

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

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

<b>Assets:</b>	
Current Assets	
Intergovernmental Receivable	\$ 78,552
Total Current Assets	78,552
Noncurrent Assets	
Nondepreciable Capital Assets	147,642
Depreciable Capital Assets, Net	1,942,124
Net OPEB Asset	359,243
Total Noncurrent Assets	2,449,009
Total Assets	2,527,561
<b>Deferred Outflows of Resources:</b>	
Pension	3,220,809
OPEB	196,098
Total Deferred Outflows of Resources	3,416,907
<b>Liabilities:</b>	
Current Liabilities	
Accounts Payable	174,546
Accrued Wages and Benefits	543,890
Intergovernmental Payable	130,071
Unearned Revenue	7,429
Compensated Absences	34,492
Capital Lease Payable	11,104
Mortgage Loan Payable	124,571
Total Current Liabilities	1,026,103
Long-Term Liabilities:	
Compensated Absences	30,019
Capital Lease Payable	33,086
Mortgage Loan Payable	342,319
Net Pension Liability	6,460,331
Net OPEB Liability	728,942
Total Noncurrent Liabilities	7,594,697
Total Liabilities	8,620,800
<b>Deferred Inflows of Resources:</b>	
Pension	548,075
OPEB	734,354
Total Deferred Inflows of Resources	1,282,429
<b>Net Position:</b>	
Net Investment in Capital Assets	1,578,686
Restricted for:	
Food Service Program	6,263
Federally Funded Programs	42,442
Unrestricted	(5,586,152)
Total Net Position	\$ (3,958,761)

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Operating Revenues:</b>	
State Foundation	\$ 4,793,592
Tuition and Fees	12,836
Extracurricular	39,761
Other	81,817
Total Operating Revenues	4,928,006
 <b>Operating Expenses:</b>	
Salaries and Wages	4,116,102
Fringe Benefits	1,250,280
Purchased Services	1,381,948
Materials and Supplies	272,085
Depreciation	92,217
Other	69,996
Total Operating Expenses	7,182,628
Operating Loss	(2,254,622)
 <b>Non-Operating Revenues/(Expenses):</b>	
Restricted Federal and State Grants	1,718,330
Other Unrestricted State Grants	168,433
Interest Payments	(24,973)
Total Non-Operating Revenues/(Expenses)	1,861,790
Change in Net Position	(392,832)
Net Position Beginning of Year	(3,565,929)
Net Position End of Year	\$ (3,958,761)

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Cash Flows From Operating Activities</b>	
Cash Received from State Foundation	\$ 4,800,846
Cash Received from Tuition and Fees	12,836
Cash Received from Extracurricular	39,761
Cash Received from Other	81,817
Cash Payments for Salaries and Wages	(3,982,907)
Cash Payments for Fringe Benefits	(1,037,776)
Cash Payments for Purchased Services	(1,429,194)
Cash Payments for Materials and Supplies	(303,511)
Cash Payments for Other	(62,827)
Net Cash Used by Operating Activities	<u>(1,880,955)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Cash Received from Federal and State Grants	<u>1,833,174</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,833,174</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal Retirement	(131,275)
Interest and Fiscal Charges	(24,973)
Acquisition of Capital Assets	(4,028)
Net Cash Used by Capital and Related Financing Activities	<u>(160,276)</u>
Net Decrease in Cash and Cash Equivalents	(208,057)
Cash and Cash Equivalents at Beginning of Year	<u>208,057</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Reconciliation of Operating Loss to Net Cash  
Used by Operating Activities:**

Operating Loss	\$ (2,254,622)
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**Adjustments to Reconcile Operating Loss  
to Net Cash Used by Operating Activities:**

Depreciation	92,217
Change in Assets and Liabilities:	
Intergovernmental Receivable	21,693
Prepaid Items	21,298
Accounts Payable	(95,145)
Accrued Wages	107,256
Net Pension Liability and Related Deferred Inflows/Outflows	898,242
Net OPEB Asset/Liability and Related Deferred Inflows/Outflows	(748,888)
Intergovernmental Payable	52,663
Compensated Absences Payable	24,331
Net Cash Used by Operating Activities	<u>\$ (1,880,955)</u>

**Schedule of Noncash Transactions:**

During the fiscal year, capital assets totaling \$48,795 were acquired through capital lease agreements.

See accompanying notes to the basic financial statements.



**A+ ARTS ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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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 - 9. 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 Academy.

The Academy is approved for operation under a contract with the Ohio Department of Education (the “Sponsor”). 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 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 three instructional/support facilities staffed by 31 non-certified staff members and 65 certified full time teaching personnel who provide services to 685 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 and “non-profit” 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.

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.

**A+ ARTS ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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Note 2 – Summary of Significant Accounting Policies (Continued)

**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. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not require the Academy to follow the provisions of Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

**D. Cash and Cash Equivalents**

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

**E. Capital Assets**

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

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

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

**A+ ARTS ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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Note 2 – Summary of Significant Accounting Policies (Continued)

F. 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. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions and OPEB are explained in Notes 8 and 9.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. These deferred inflows of resources related to pension and OPEB are explained in Notes 8 and 9.

G. 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.

H. 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.

I. 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**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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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.

J. 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.

K. 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.

L. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Note 3 – Deposits

At fiscal year-end, the carrying value of the Academy's deposits was negative \$29,463, and the bank balance totaled \$177,678. The Academy's entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy has no deposit policy for custodial credit risk.

Note 4 – Receivables

At fiscal year-end, intergovernmental receivables, consisting primarily of foundation adjustments and federal grants, totaled \$78,552. All intergovernmental receivables are considered collectible within one year.

**A+ ARTS ACADEMY**  
**FRANKLIN COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

<b>Capital Assets:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 147,642	\$ -	\$ -	\$ 147,642
Total capital assets, not being depreciated	<u>147,642</u>	<u>-</u>	<u>-</u>	<u>147,642</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	44,217	-	-	44,217
Buildings and Building Improvements	2,089,007	-	-	2,089,007
Furniture and Equipment	447,249	52,823	-	500,072
Total capital assets, being depreciated	<u>2,580,473</u>	<u>52,823</u>	<u>-</u>	<u>2,633,296</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(15,870)	(2,653)	-	(18,523)
Buildings and Building Improvements	(268,478)	(52,149)	-	(320,627)
Furniture and Equipment	(314,607)	(37,415)	-	(352,022)
Total accumulated depreciation	<u>(598,955)</u>	<u>(92,217)</u>	<u>-</u>	<u>(691,172)</u>
Depreciable Capital Assets, Net	<u>1,981,518</u>	<u>(39,394)</u>	<u>-</u>	<u>1,942,124</u>
<b>Total Capital Assets, Net</b>	<u>\$ 2,129,160</u>	<u>\$ (39,394)</u>	<u>\$ -</u>	<u>\$ 2,089,766</u>

Note 6 – Long-Term Obligations

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
2006 Mortgage loan payable	\$ 471,543	\$ -	\$ (60,250)	\$ 411,293	\$ 68,974
2015 Mortgage loan payable	122,017	-	(66,420)	55,597	55,597
Total Loans Payable	<u>593,560</u>	<u>-</u>	<u>(126,670)</u>	<u>466,890</u>	<u>124,571</u>
Net Pension Liability	6,580,482	-	(120,151)	6,460,331	-
Net OPEB Liability	1,599,256	-	(870,314)	728,942	-
Compensated Absences	40,180	121,127	(96,796)	64,511	34,492
Capital Leases	-	48,795	(4,605)	44,190	11,104
Total Long-term Liabilities	<u>\$ 8,813,478</u>	<u>\$ 169,922</u>	<u>\$ (1,218,536)</u>	<u>\$ 7,764,864</u>	<u>\$ 170,167</u>

*Compensation Related Liabilities:* The Academy pays obligations related to employee compensation, including employer pension and OPEB contributions, from the fund benefitting from their service. There is no repayment schedule for the net pension and net OPEB liabilities.

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Note 6 – Long-Term Obligations (Continued)

*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. On April 1, 2015, the Academy amended the terms of the mortgage loan. The new loan has an interest rate of 5.00% from May 1, 2015 through May 1, 2020 and then a variable interest rate based on an index from May 1, 2020 through April 1, 2025, on which date the loan matures.

*2015 Mortgage loan payable:* On April 1, 2015 the Academy issued a mortgage loan in the amount of \$340,000 with an interest rate of 5.00% to be repaid over 5 years. The loan was issued to purchase a building which is used as classrooms for the Academy.

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

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 124,571	\$ 20,483	\$ 145,054
2021	72,605	15,686	88,291
2022	76,372	11,918	88,290
2023	80,335	7,955	88,290
2024-2025	113,007	4,094	117,101
Total	<u>\$ 466,890</u>	<u>\$ 60,136</u>	<u>\$ 527,026</u>

The notes are secured by a mortgage and an assignment of rents. Upon default, the lender may declare the entire unpaid balance under the notes, and all accrued unpaid interest, immediately due. In addition, the Academy would be liable for any attorneys' fees, collections fees and expenses for bankruptcy proceedings, and appeals.

Note 7 – Sponsorship Agreement with Ohio Department of Education

The Academy has entered into a sponsorship agreement with the Ohio Department of Education (the 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 Academy 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.

During the fiscal year, the Academy paid the Sponsor \$161,903 in sponsorship fee services under this agreement.

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Note 8 - Defined Benefit Pension Plans

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable.

***Plan Description – School Employees Retirement System (SERS)***

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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**Note 8 - Defined Benefit Pension Plans (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

On each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. This cost-of-living adjustment (COLA) shall not be less than 0% nor greater than 2.5%. COLA's have been suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.50 percent and .50 percent was allocated to the Health Care Fund.

The Academy's contractually required pension contribution to SERS was \$140,116 for fiscal year 2019. Of this amount, \$19,975 is reported as intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).



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Note 8 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

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Note 8 - Defined Benefit Pension Plans (Continued)

The Academy's contractually required contribution to STRS was \$400,657 for fiscal year 2019. Of this amount, \$45,295 is reported as intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,544,685	\$4,915,646	\$6,460,331
Proportion of the Net Pension Liability- Current Measurement Date	0.0269711%	0.02235629%	
Proportion of the Net Pension Liability- Prior Measurement Date	<u>0.0300797%</u>	<u>0.02013573%</u>	
Change in Proportionate Share	<u>-0.0031086%</u>	<u>0.00222056%</u>	
Pension Expense	\$304,358	\$1,134,657	\$1,439,015

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**Note 8 - Defined Benefit Pension Plans (Continued)**

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 84,719	\$ 113,469	\$ 198,188
Changes of assumptions	34,880	871,145	906,025
Changes in proportion and differences between Academy contributions and proportionate share of contributions	214,595	1,361,228	1,575,823
Academy contributions subsequent to the measurement date	<u>140,116</u>	<u>400,657</u>	<u>540,773</u>
Total Deferred Outflows of Resources	<u>\$ 474,310</u>	<u>\$ 2,746,499</u>	<u>\$ 3,220,809</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 32,102	\$ 32,102
Net difference between projected and actual earnings on pension plan investments	42,797	298,082	340,879
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>102,211</u>	<u>72,883</u>	<u>175,094</u>
Total Deferred Inflows of Resources	<u>\$ 145,008</u>	<u>\$ 403,067</u>	<u>\$ 548,075</u>

\$540,773 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	215,364	1,526,151	1,741,515
2021	6,240	310,321	316,561
2022	(117,497)	87,397	(30,100)
2023	<u>85,079</u>	<u>18,906</u>	<u>103,985</u>
Total	<u>\$189,186</u>	<u>\$1,942,775</u>	<u>\$2,131,961</u>

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Note 8 - Defined Benefit Pension Plans (Continued)

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2015.

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Note 8 - Defined Benefit Pension Plans (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Academy's proportionate share of the net pension liability	\$2,175,805	\$1,544,685	\$1,015,533

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Note 8 - Defined Benefit Pension Plans (Continued)

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0 percent effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*The 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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Note 8 - Defined Benefit Pension Plans (Continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net pension liability	\$7,178,654	\$4,915,646	\$3,000,317

Note 9 - Defined Benefit OPEB Plans

**Net OPEB Asset/Liability**

The net OPEB asset/liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB asset/liability represents the Academy's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which OPEB are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including OPEB.

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Note 9 - Defined Benefit OPEB Plans (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB asset/liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*.

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.



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Note 9 - Defined Benefit OPEB Plans (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Academy's surcharge obligation was \$8,721.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$13,910 for fiscal year 2019. Of this amount, \$9,467 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Asset/Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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Note 9 - Defined Benefit OPEB Plans (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/(Asset) Current Measurement Date	0.0262751%	0.02235629%	
Proportion of the Net OPEB Liability/(Asset) Prior Measurement Date	<u>0.0303172%</u>	<u>0.02013573%</u>	
Change in Proportionate Share	<u>-0.0040421%</u>	<u>0.00222056%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$728,942	(\$359,243)	\$369,699
OPEB Expense	\$32,919	(\$767,897)	(\$734,978)

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 11,899	\$ 41,960	\$ 53,859
Difference between Academy contributions and proportionate share of contributions	49,198	79,131	128,329
Academy contributions subsequent to the measurement date	<u>13,910</u>	<u>-</u>	<u>13,910</u>
Total Deferred Outflows of Resources	<u>\$ 75,007</u>	<u>\$ 121,091</u>	<u>\$ 196,098</u>
<b>Deferred Inflows of Resources</b>			
Changes of assumptions	\$ 65,490	\$ 489,496	\$ 554,986
Difference between Academy contributions and proportionate share of contributions	100,486	15,815	116,301
Differences between expected and actual experience	-	20,934	20,934
Net difference between projected and actual earnings on OPEB plan investments	<u>1,094</u>	<u>41,039</u>	<u>42,133</u>
Total Deferred Inflows of Resources	<u>\$ 167,070</u>	<u>\$ 567,284</u>	<u>\$ 734,354</u>

\$13,910 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the year ending June 30, 2020.

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Notes to the Basic Financial Statements  
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Note 9 - Defined Benefit OPEB Plans (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	(\$17,274)	(\$81,197)	(\$98,471)
2021	(18,164)	(81,197)	(99,361)
2022	(20,981)	(81,195)	(102,176)
2023	(20,519)	(71,874)	(92,393)
2024	(20,593)	(68,603)	(89,196)
Thereafter	(8,442)	(62,127)	(70,569)
Total	(\$105,973)	(\$446,193)	(\$552,166)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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Note 9 - Defined Benefit OPEB Plans (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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**Note 9 - Defined Benefit OPEB Plans (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u><u>100.00 %</u></u>	

**Discount Rate** The discount rate used to measure the total OPEB asset/liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB asset/liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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Note 9 - Defined Benefit OPEB Plans (Continued)

***Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.70%)</u>	<u>Current Discount Rate (3.70%)</u>	<u>1% Increase (4.70%)</u>
Academy's proportionate share of the net OPEB liability/(asset)	\$884,514	\$728,942	\$605,758

  

	<u>1% Decrease (6.25% decreasing to 3.75 percent)</u>	<u>Current Trend Rate (7.25% decreasing to 4.75 percent)</u>	<u>1% Increase (8.25% decreasing to 5.75 percent)</u>
Academy's proportionate share of the net OPEB liability/(asset)	\$588,123	\$728,942	\$915,413

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll Increases	3.00 percent
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Health Care Cost Trends	
Pre-Medicare	6.00 percent initial, 4.00 percent ultimate
Medicare	5.00 percent initial, 4.00 percent ultimate
Perscription Drug Cost Trends	
Pre-Medicare	8.00 percent initial, 4.00 percent ultimate
Medicare	negative 5.23 percent initial, 4.00 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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Note 9 - Defined Benefit OPEB Plans (Continued)

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\*The 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB asset/liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45 percent was used to measure the total OPEB asset as of June 30, 2018.

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For the Fiscal Year Ended June 30, 2019

Note 9 - Defined Benefit OPEB Plans (Continued)

***Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	(6.45%)	(7.45%)	(8.45%)
Academy's proportionate share of the net OPEB asset	(\$307,905)	(\$359,243)	(\$402,390)

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Academy's proportionate share of the net OPEB asset	(\$399,954)	(\$359,243)	(\$317,897)

Note 10 – Capital Leases – Lessee Disclosure

During fiscal year 2019, the Academy entered into capital lease agreements for the purchase of five copiers. The copiers have been capitalized in the amount of \$48,795. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2019 was \$4,392, leaving a current book value of \$44,403. A corresponding liability was also recorded.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 11,104
2021	11,671
2022	12,268
2023	7,075
2024	2,072
Present Value of Minimum Lease Payments	<u>\$ 44,190</u>



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Notes to the Basic Financial Statements  
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Note 11 – Other Employee Benefits

The Academy provides medical benefits through United Healthcare. 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.

C. Foundation Funding

Academy foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2019 and determined the Academy was underpaid by \$13,828. This amount is reported as intergovernmental receivable on the statement of net position.

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Note 13 – Purchased Services

For the fiscal year ended June 30, 2019, purchased services disbursements were as follows:

Professional & Technical Services	\$	452,454
Property Services & Rentals		324,783
Meeting Expenses		9,270
Postage, Advertising and Printing		531
Utilities		156,814
Contracted Food Services		411,577
Other		26,519
Total	<u>\$</u>	<u>1,381,948</u>

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	Netherland Insurance	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Building and Contents	Netherland Insurance	5,776,968	1,000
Personal Property	Netherland Insurance	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 the prior fiscal year.

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.

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Note 15 – Change in Accounting Principles

For fiscal year ending June 30, 2019, the Academy has implemented the following:

*GASB Statement No. 83 “Certain Asset Retirement Obligations”* will enhance comparability of financial statements among governmental by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statement did not have an effect on the financial statements of the Academy.

*GASB Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”* improves the information that is disclosed in the notes of the governmental financial statements related to debt, including debt borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a significant effect on the financial statements of the Academy.

Note 16 – Fiscal Distress/Management Plan

The Academy’s Net Position at June 30, 2019 was negative \$841,895, excluding the effects of GASB 68 and GASB 75, as well as all capital-related assets and liabilities. This deficit represents the amount in which the Academy’s operating liabilities exceeded operating assets at fiscal year-end. The Board and the Ohio Department of Education remain committed to the success of the Academy both academically and financially. During FY20, staffing was reduced and will continue to be reduced for FY21. Purchased services were also decreased for FY20 and the Academy will be changing its Operator to a contracted service for FY21. The Operator will add increased marketing to focus on increasing student enrollment.

The Academy was also awarded two grants, the School Quality Improvement grant and the 21st Century grant which will provide additional support of education and enrichment activities.

Note 17 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. The investments of the pension and other employee benefit plans in which the Academy participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.0269711%	0.0300797%	0.0263855%	0.0176249%	0.013869%	0.013869%
Academy's Proportionate Share of the Net Pension Liability	\$ 1,544,685	\$ 1,797,196	\$ 1,931,175	\$ 1,005,694	\$ 701,902	\$ 824,745
Academy's Covered Payroll	\$ 895,654	\$ 982,947	\$ 838,321	\$ 542,282	\$ 404,667	\$ 428,432
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	172.46%	182.84%	230.36%	185.46%	173.45%	192.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the Academy's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**A+ ARTS ACADEMY  
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SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
Academy's Proportion of the Net Pension Liability	0.02235629%	0.02013573%	0.02054973%	0.01356099%	0.009695%	0.009695%
Academy's Proportionate Share of the Net Pension Liability	\$ 4,915,646	\$ 4,783,286	\$ 6,878,614	\$ 3,747,891	\$ 2,358,099	\$ 2,808,952
Academy's Covered Payroll	\$ 2,628,643	\$ 2,151,697	\$ 2,267,546	\$ 1,491,615	\$ 1,082,381	\$ 970,318
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.00%	222.30%	303.35%	251.26%	217.86%	289.49%
Percentage of the Total Pension (Asset)/Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the Academy's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**A+ ARTS ACADEMY  
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SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 140,116	\$ 120,913	\$ 137,612	\$ 117,365
Contributions in relation to the contractually required contribution	\$ 140,116	\$ 120,913	\$ 137,612	\$ 117,365
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,037,899	\$ 895,654	\$ 982,947	\$ 838,321
Contributions as a percentage of covered payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information



2015	2014	2013	2012	2011	2010
\$ 71,473	\$ 56,087	\$ 59,295	\$ 44,420	\$ 37,210	\$ 28,192
\$ 71,473	\$ 56,087	\$ 59,295	\$ 44,420	\$ 37,210	\$ 28,192
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 542,282	\$ 404,667	\$ 428,432	\$ 330,260	\$ 296,022	\$ 208,213
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 400,657	\$ 368,010	\$ 301,238	\$ 317,456
Contributions in relation to the contractually required contribution	\$ 400,657	\$ 368,010	\$ 301,238	\$ 317,456
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,861,835	\$ 2,628,643	\$ 2,151,697	\$ 2,267,546
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$ 208,826	\$ 140,709	\$ 126,141	\$ 121,971	\$ 105,412	\$ 66,413
\$ 208,826	\$ 140,709	\$ 126,141	\$ 121,971	\$ 105,412	\$ 66,413
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,491,615	\$ 1,082,381	\$ 970,318	\$ 938,239	\$ 810,862	\$ 510,869
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB Liability	0.02627510%	0.03031720%	0.02662970%
Academy's Proportionate Share of the Net OPEB Liability	\$ 728,942	\$ 813,634	\$ 813,634
Academy's Covered Payroll	\$ 895,654	\$ 982,947	\$ 838,321
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.39%	82.77%	97.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET)/LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's Proportion of the Net OPEB (Asset)/Liability	0.02235629%	0.02013573%	0.02054973%
Academy's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (359,243)	\$ 785,622	\$ 1,099,005
Academy's Covered Payroll	\$ 2,628,643	\$ 2,151,697	\$ 2,267,546
Academy's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-13.67%	36.51%	48.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the Academy's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution (1)	\$ 13,910	\$ 13,845	\$ 15,567	\$ 27,086
Contributions in Relation to the Contractually Required Contribution	\$ 13,910	\$ 13,845	\$ 15,567	\$ 27,086
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Academy's Covered Payroll	\$ 1,037,899	\$ 895,654	\$ 982,947	\$ 838,321
OPEB Contributions as a Percentage of Covered Payroll (1)	1.34%	1.55%	1.58%	3.23%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$ 15,059	\$ 11,214	\$ 7,699	\$ 5,755	\$ 8,320	\$ 3,576
\$ 15,059	\$ 11,214	\$ 7,699	\$ 5,755	\$ 8,320	\$ 3,576
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 542,282	\$ 404,667	\$ 428,432	\$ 330,260	\$ 296,022	\$ 208,213
2.78%	2.77%	1.80%	1.74%	2.81%	1.72%

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Academy's Covered Payroll	\$ 2,861,835	\$ 2,628,643	\$ 2,151,697	\$ 2,267,546
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information



2015	2014	2013	2012	2011	2010
\$ -	\$ 10,824	\$ 9,703	\$ 7,950	\$ 8,109	\$ 5,109
\$ -	\$ 10,824	\$ 9,703	\$ 7,950	\$ 8,109	\$ 5,109
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,491,615	\$ 1,082,381	\$ 970,318	\$ 938,239	\$ 62,377	\$ 39,300
0.00%	1.00%	1.00%	0.85%	13.00%	13.00%

**A+ ARTS ACADEMY**  
Notes to Schedules of Required Supplementary Information  
For the Year Ended June 30, 2019

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**NOTE 1 – NET PENSION LIABILITY**

**School Employees Retirement System**

*Changes in benefit terms:*

- Fiscal year 2019 With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.
- Fiscal year 2018 The cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

*Changes in assumptions:*

- Fiscal year 2017 The SERS Board adopted several assumption changes, including changes to:
- Assumed rate of inflation was reduced from 3.25% to 3.00%
  - Payroll Growth Assumption was reduced from 4.00% to 3.50%
  - Assumed real wage growth was reduced from 0.75% to 0.50
  - Rates of withdrawal, retirement and disability were updated to reflect recent experience.
  - Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
  - Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
  - Mortality among disable member was updated to the following:
    - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**A+ ARTS ACADEMY**  
Notes to Schedules of Required Supplementary Information  
For the Year Ended June 30, 2019

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**NOTE 1 – NET PENSION LIABILITY – (continued)**

**State Teachers Retirement System**

*Changes in benefit terms:*

Fiscal year 2019 There have been no changes to the benefit terms

Fiscal year 2018 The cost-of-living adjustment was reduced to zero.

*Changes in assumptions:*

Fiscal year 2019 There have been no changes to the assumptions

Fiscal year 2018 The STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**NOTE 2 – NET OPEB LIABILITY/(ASSET)**

**School Employees Retirement System**

*Changes in benefit terms:* There have been no changes to the benefit provisions.

*Changes in Assumptions:*

Fiscal year 2019 The discount rate used to measure the total OPEB liability was increased from 3.63% to 3.70% and the municipal bond rate was increased from 3.56% to 3.62%.

Fiscal year 2018 The discount rate used to measure the total OPEB liability was increased from 2.98% to 3.63% and the municipal bond rate was increased from 2.92% to 3.56%.

**A+ ARTS ACADEMY**  
Notes to Schedules of Required Supplementary Information  
For the Year Ended June 30, 2019

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**NOTE 2 – NET OPEB LIABILITY/(ASSET) – (continued)**

**State Teachers Retirement System**

*Changes in benefit terms:* There have been no changes to the benefit provisions.

Fiscal year 2019 The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Fiscal year 2018 The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

*Changes in Assumptions:*

Fiscal year 2019 The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Fiscal year 2018 The discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*” and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**A+ ARTS ACADEMY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ <i>Pass Through Grantor/</i> Program Title	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through the Ohio Department of Education:</i>		
Nutrition Cluster:		
School Breakfast Program	10.553	\$ 117,170
National School Lunch Program	10.555	235,988
Total Nutrition Cluster		<u>353,158</u>
Total U.S. Department of Agriculture		353,158
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through the Ohio Department of Education:</i>		
Special Education - Grants to States - 2018	84.027	143,187
Special Education - Grants to States - 2019	84.027	<u>148,926</u>
Total Special Education - Grants to States		<u>292,113</u>
Title I Grants to Local Educational Agencies - 2019	84.010	458,490
Improving Teacher Quality Grant Program - 2018	84.367	112,002
Improving Teacher Quality Grant Program - 2019	84.367	<u>88,861</u>
Total Improving Teacher Quality Grant Programs		<u>200,863</u>
<b>Total U.S. Department of Education</b>		<u>\$951,466</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$ 1,304,624</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal awards activity of A+ Arts Academy's (Academy) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COSTS**

The Academy has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - 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.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' 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**

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the A+ Arts Academy, Franklin, County, Ohio (the Academy) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 24, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy.

**Internal Controls Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2019-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedules of Findings as item 2019-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated September 24, 2020.

## **Academy's Responses to Findings**

The Academy's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



*Charles E. Harris & Associates, Inc.*  
September 24, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Directors:

***Report on Compliance for the Major Federal Program***

We have audited the A+ Arts Academy, Franklin County, Ohio's, (Academy) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2019. The Academy's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Academy's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 opinion on compliance for the major program. However, our audit does not provide a legal determination of the Academy's compliance.

***Opinion on the Major Federal Program***

In our opinion, the A+ Arts Academy, Franklin County, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

***Report on Internal Control Over Compliance***

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***

September 24, 2020

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
June 30, 2019**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under 2 CFR § 200.516(a)</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster – CFDA# 10.553, 10.555
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: >\$750,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS – (continued)  
2 CFR § 200.515  
JUNE 30, 2019**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness and Noncompliance – Accounting Records**

Ohio Administrative Code (OAC) § 117-2-02(D) in part states that the local office should maintain adequate documentation to support the amounts recorded on its accounting ledger. It is management’s responsibility to implement internal accounting control policies and procedures to reasonably ensure the Academy’s expenditures are properly recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of the expenditure records.

The Academy did not maintain adequate support for certain types of expenditures. During our testing of expenditures, 24 out of 100 expenditures tested for 2019 were missing purchase orders and 14 were missing invoices or other supporting documentation. Alternative support was viewed to determine the payments on the missing invoices was for a proper public purpose and properly recorded.

We also noted that many purchases were being made prior to a purchase order being created or prior to authorization by the Board or proper management personnel.

Lack of proper support for transactions and approval of purchases for certain types of expenditures enhances the Academy’s risk of misappropriation of funds. We recommend the Academy Treasurer and Board of Directors take the necessary steps to ensure the integrity of the financial records and retain adequate support of financial transactions of the Academy. We further recommend the Treasurer implement procedures to adequately track and reconcile these types of expenditures to help prevent misappropriation of funds and improve financial reporting. Those procedures could include using an accounting system and reconciling outstanding checks.

**Official’s Response:**

See Corrective Action Plan

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

**A+ ARTS ACADEMY  
FRANKLIN COUNTY**

**CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT  
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2019-001	The current Treasurer will maintain better control over all expenditures and supporting documents.	Immediately	Joel McCloskey Current Treasurer
2019-002	The current Treasurer will closely review all Purchase orders and properly Certify Expenditures.	Immediately	Joel McCloskey Current Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



**A+ ARTS ACADEMY**

**FRANKLIN COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/22/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)