

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

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015





Dave Yost • Auditor of State

Board of Directors
A+ Arts Academy
1395 Fair Avenue
Columbus, OH 43205

We have reviewed the *Independent Auditor's Report* of the A+ Arts Academy, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 16, 2016

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A+ ARTS ACADEMY
(a Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY
AUDIT REPORT
For the year ended June 30, 2015

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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 (the Academy), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015, and the respective 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 14 to the financial statements, during the year ended June 30, 2015, the Academy adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplemental Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 14, 2015

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

Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

The management's discussion and analysis of A+ Arts Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net Position of the Academy was negative \$2,225,345 at fiscal year-end, an increase of \$647,485 in comparison with the prior fiscal year-end.
- Total assets increased \$787,873 and total liabilities decreased \$315,761 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
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Franklin County, Ohio

Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Table 1 provides a summary of the Academy's net position for fiscal year 2015 compared to those reported for fiscal year 2014.

Table 1
Net Position

	2015	2014
Assets:		
Current Assets	\$ 682,816	\$ 366,565
Capital Assets	1,908,774	1,437,152
Total Assets	2,591,590	1,803,717
Deferred Outflows of Resources:		
Pensions	296,442	202,413
Liabilities:		
Current liabilities	543,488	466,593
Noncurrent liabilities	4,019,711	4,412,367
Total Liabilities	4,563,199	4,878,960
Deferred Inflows of Resources:		
Pensions	550,178	-
Net Position:		
Net Investment in Capital Assets	805,795	527,556
Restricted	35,887	21,796
Unrestricted	(3,067,027)	(3,422,182)
Total Net Position	\$ (2,225,345)	\$ (2,872,830)

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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For the Year Ended June 30, 2015
(Unaudited)

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$558,454 to negative \$2,872,830.

A+ Arts Academy
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Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Total net position increased \$647,485 during the fiscal year. The following demonstrates the details of this change.

Table 2
Change in Net Position

	2015	2014
Operating Revenues:		
State Foundation	\$ 3,435,617	\$ 2,442,533
Tuition and Fees	22,382	17,132
Charges for Services	-	2,553
Extracurricular	50,652	43,757
Other	38,212	26,854
Total Revenues	3,546,863	2,532,829
Operating Expenses:		
Personal Services	2,360,637	1,827,722
Purchased Services	893,152	707,185
Materials and Supplies	420,236	244,690
Depreciation	56,569	47,510
Other	192,273	138,394
Total Operating Expenses	3,922,867	2,965,501
Non-Operating Revenues/(Expenses):		
Federal and State Grants	1,061,811	704,825
Donations	1,572	2,556
Interest Payments	(39,894)	(38,878)
Total Non-Operating Revenues/(Expenses)	1,023,489	668,503
Change in Net Position	647,485	235,831
Net Position Beginning of Year	558,454	N/A
Net Position End of Year	\$ 1,205,939	\$ (2,872,830)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$202,413 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$150,219.

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Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	\$	3,922,867
Pension expense under GASB 68		(150,219)
2015 contractually required contribution		202,413
Adjusted 2015 operating expenses		3,975,061
Total 2014 program expenses under GASB 27		2,965,501
Increase in program expenses not related to pension	\$	1,009,560

Current Assets increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of increase in cash and intergovernmental receivables related to operations and the Academy's summer school program.

Capital Assets increased significantly in comparison with the prior fiscal year-end. This increase represents the amount in which current year capital acquisitions, most notably the Academy's building purchase and improvements, exceeded current year depreciation.

Total Liabilities decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of a decrease in net pension liability, offset by an increase in mortgage loans payable, which resulted from the Academy financing the building purchase.

Net Investment in Capital Assets increased significantly. This increase represents the amount in which capital asset additions and mortgage loan principal payments exceeded capital asset depreciation and new mortgage loans payable.

State Foundation, Federal and State Grants, and Total Operating Expenses all increased significantly due to an increase in enrollment from 356 students in fiscal year 2014 to 456 students in fiscal year 2015.

A+ Arts Academy
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Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Budget Highlights

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

Capital Assets Administration

As of fiscal year end, the Academy has \$1,908,774 invested in capital assets, an increase of \$471,622 in comparison with the prior fiscal year. This increase represents the amount in which capital asset additions (\$528,191) exceeded current year depreciation (\$56,569). See Note 5 for more information.

Debt Administration

As of fiscal year-end, the Academy had \$1,102,979 in outstanding mortgage loans, an increase of \$193,383 in comparison with the prior fiscal year. This increase represents the amount in which new loan issuances, totaling \$340,000, exceeded loan principal payments, totaling \$146,617. See Note 6 for more information.

Current Financial Related Activities

The Academy is sponsored by the Reynoldsburg City School District. 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 Jennifer Smith, Treasurer, A+ Arts Academy, 2633 Maybury Road, Columbus, Ohio 43232.

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

STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

Assets:

Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 467,619
Accounts Receivable	2,330
Intergovernmental Receivable	212,867
Total Current Assets	<u>682,816</u>
Noncurrent Assets	
Nondepreciable Capital Assets	147,642
Depreciable Capital Assets, Net	1,761,132
Total Noncurrent Assets	<u>1,908,774</u>
Total Assets	<u>2,591,590</u>

Deferred Outflows of Resources:

Pension	296,442
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Liabilities:

Current Liabilities	
Accounts Payable	26,542
Accrued Wages and Benefits	265,656
Intergovernmental Payable	64,624
Mortgage Loan Payable	143,269
Compensated Absences	43,397
Total Current Liabilities	<u>543,488</u>
Long-Term Liabilities:	
Mortgage Loan Payable	959,710
Net Pension Liability	3,060,001
Total Noncurrent Liabilities	<u>4,019,711</u>
Total Liabilities	<u>4,563,199</u>

Deferred Inflows of Resources:

Pension	550,178
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Net Position:

Net Investment in Capital Assets	805,795
Restricted for:	
Food Service Program	16,437
Federally Funded Programs	19,104
Other Purposes	346
Unrestricted	<u>(3,067,027)</u>
Total Net Position	<u>\$ (2,225,345)</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenues:	
State Foundation	\$ 3,435,617
Tuition and Fees	22,382
Extracurricular	50,652
Other	38,212
Total Operating Revenues	3,546,863
 Operating Expenses:	
Salaries and Wages	2,039,404
Fringe Benefits	321,233
Purchased Services	893,152
Materials and Supplies	420,236
Depreciation	56,569
Other	192,273
Total Operating Expenses	3,922,867
Operating Loss	(376,004)
 Non-Operating Revenues/(Expenses):	
Federal and State Grants	1,061,811
Donations	1,572
Interest Payments	(39,894)
Total Non-Operating Revenues/(Expenses)	1,023,489
Change in Net Position	647,485
Net Position Beginning of Year, Restated	(2,872,830)
Net Position End of Year	\$ (2,225,345)

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities	
Cash Received from State Foundation	\$ 3,383,190
Cash Received from Tuition and Fees	21,292
Cash Received from Extracurricular	50,787
Cash Received from Other	49,440
Cash Payments for Salaries and Wages	(1,958,831)
Cash Payments for Fringe Benefits	(437,247)
Cash Payments for Purchased Services	(920,412)
Cash Payments for Materials and Supplies	(407,544)
Cash Payments for Other	(202,029)
Net Cash Used by Operating Activities	<u>(421,354)</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from Federal and State Grants	1,000,757
Cash Received from Donations and Contributions	1,572
Net Cash Provided by Noncapital Financing Activities	<u>1,002,329</u>
Cash Flows From Capital and Related Financing Activities	
Cash Received from Sale of Notes	340,000
Principal Retirement	(146,617)
Interest and Fiscal Charges	(39,894)
Acquisition of Capital Assets	(520,770)
Net Cash Used by Capital and Related Financing Activities	<u>(367,281)</u>
Net Increase in Cash and Cash Equivalents	213,694
Cash and Cash Equivalents at Beginning of Year	253,925
Cash and Cash Equivalents at End of Year	<u><u>\$ 467,619</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Operating Loss	\$ (376,004)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	56,569
Change in Assets and Liabilities:	
Accounts Receivable	10,273
Intergovernmental Receivable	(60,986)
Accounts Payable	(24,324)
Accrued Wages	76,445
Net Pension Liability	(117,547)
Intergovernmental Payable	8,713
Compensated Absences Payable	5,507
Net Cash Used by Operating Activities	<u>\$ (421,354)</u>

See accompanying notes to the basic financial statements.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

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 school.

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

The Academy operates under the direction of a self-appointed 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 two instructional/support facilities staffed by 22 non-certified staff members and 40 certified full time teaching personnel who provide services to 456 students.

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

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

B. Basis of Accounting

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

C. Cash and Cash Equivalents

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

D. Capital Assets

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

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

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. 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. These deferred outflows of resources related to pensions are explained in Note 8.

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. This deferred inflow of resources related to pension is explained in Note 8.

F. Net Position

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

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

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

G. Intergovernmental Revenues

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

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

H. Operating and Non-Operating Revenues and Expenses

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

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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.

I. Estimates

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

J. Compensated Absences Policy

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

K. Pension

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

Note 3 – Deposits

At fiscal year-end, the carrying value of the Academy's deposits totaled \$467,619, and the bank balance totaled \$552,415. Of the Academy's bank balance, \$265,303 was covered by the Federal Deposit Insurance Corporation (FDIC), and the remaining balance was exposed to custodial credit risk as discussed below.

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

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Note 4 – Receivables

At fiscal year-end, intergovernmental receivables, consisting primarily of federal grants, totaled \$212,867. All intergovernmental receivables are considered collectible within one year.

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets:				
<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	38,292	5,925	-	44,217
Building	1,288,665	487,149	-	1,775,814
Furniture and Equipment	282,793	35,117	-	317,910
Total capital assets, being depreciated	<u>1,609,750</u>	<u>528,191</u>	<u>-</u>	<u>2,137,941</u>
Less Accumulated Depreciation:				
Land Improvements	(5,435)	(2,475)	-	(7,910)
Building	(127,403)	(27,937)	-	(155,340)
Furniture and Equipment	(187,402)	(26,157)	-	(213,559)
Total accumulated depreciation	<u>(320,240)</u>	<u>(56,569)</u>	<u>-</u>	<u>(376,809)</u>
Depreciable Capital Assets, Net	<u>1,289,510</u>	<u>471,622</u>	<u>-</u>	<u>1,761,132</u>
Total Capital Assets, Net	<u>\$ 1,437,152</u>	<u>\$ 471,622</u>	<u>\$ -</u>	<u>\$ 1,908,774</u>

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Note 6 – Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2006 Mortgage loan payable	\$ 705,842	\$ -	\$ (40,127)	\$ 665,715	\$ 56,283
2013 Mortgage loan payable	203,754	-	(91,464)	112,290	24,681
2015 Mortgage loan payable	-	340,000	(15,026)	324,974	62,305
Total Loans Payable	<u>909,596</u>	<u>340,000</u>	<u>(146,617)</u>	<u>1,102,979</u>	<u>143,269</u>
Net Pension Liability	3,633,697	150,219	(723,915)	3,060,001	-
Compensated Absences	37,890	43,397	(37,890)	43,397	43,397
Total Long-term Liabilities	<u>\$ 947,486</u>	<u>\$ 383,397</u>	<u>\$ (184,507)</u>	<u>\$ 1,146,376</u>	<u>\$ 186,666</u>

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

2013 Mortgage loan payable: On May 31, 2013 the Academy issued a mortgage loan in the amount of \$300,000 with an interest rate of 5.50% to be repaid over 3 years. The loan was issued to purchase a building which is used as classrooms for the Academy. On April 1, 2015, the Academy amended the terms of the mortgage loan. The new loan has an interest rate of 5.00% and matures April 1, 2020.

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.

Compensation Related Liabilities: The Academy pays obligations related to employee compensation from the fund benefitting from their service.

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Note 6 – Long-Term Obligations (Continued)

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>
2016	\$ 143,269	\$ 51,896	\$ 195,165
2017	150,597	44,565	195,162
2018	158,303	36,860	195,163
2019	166,373	28,762	195,135
2020	130,282	20,733	151,015
2021-2025	354,155	41,258	395,413
Total	<u>\$ 1,102,979</u>	<u>\$ 224,074</u>	<u>\$ 1,327,053</u>

Note 7 – Sponsorship Agreement with Reynoldsburg City School District

The Academy has entered into a sponsorship agreement with Reynoldsburg City School District (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 school districts, pursuant to rules of the Auditor of State.
- B. Compliance with the policies and procedures regarding internal financial control of the Academy.
- C. Compliance with the requirements and procedures for financial audits by the Auditor of State.

During the fiscal year, the Academy paid the Sponsor of \$108,036 in sponsorship fee services under this agreement. The Academy also paid the Sponsor \$1,300 for office rental during fiscal year 2015.

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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.

Ohio Revised Code limits the Academy’s obligation for this liability to annually required payments. The District 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* on both the accrual and modified accrual bases of accounting.

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 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 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy’s contractually required pension contribution to SERS was \$71,473 for fiscal year 2015 of which the entire amount has been paid.

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.

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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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, member contributions are allocated among investment choices by the member, and employer contributions 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 at age 50.

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.

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Note 8 – Defined Benefit Pension Plans (Continued)

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$208,826 for fiscal year 2015. Of this amount, \$30,826 is reported as an 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District'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	\$701,902	\$2,358,099	\$3,060,001
Proportion of the Net Pension Liability	0.013869%	0.009695%	
Pension Expense	\$41,277	\$108,942	\$150,219

At June 30, 2015, 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>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$5,974	\$22,702	\$28,676
Academy contributions subsequent to the measurement date	74,268	193,498	267,766
Total Deferred Outflows of Resources	<u>\$80,242</u>	<u>\$216,200</u>	<u>\$296,442</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$113,921	\$436,257	\$550,178
Total Deferred Inflows of Resources	<u>\$113,921</u>	<u>\$436,257</u>	<u>\$550,178</u>

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Note 8 – Defined Benefit Pension Plans (Continued)

\$267,766 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, 2016.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$26,972)	(\$103,389)	(\$130,360)
2017	(26,972)	(103,389)	(130,360)
2018	(26,972)	(103,389)	(130,360)
2019	(27,032)	(103,389)	(130,421)
Total	(\$107,947)	(\$413,555)	(\$521,502)

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.

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Note 8 – Defined Benefit Pension Plans (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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.

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Note 8 – Defined Benefit Pension Plans (Continued)

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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$1,001,406	\$701,902	\$449,994

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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Note 8 – Defined Benefit Pension Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Academy's proportionate share of the net pension liability	\$3,375,875	\$2,358,099	\$1,497,402

(c) Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2015, no members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

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Note 9 – Postemployment Benefits

A. School Employees Retirement System

Postemployment Benefits

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

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. 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. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Academy contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were \$15,059, \$11,214 and \$7,699, respectively. The entire amount has been contributed for fiscal years 2014 and 2013. For fiscal year 2015, the Academy has contributed 27 percent of the required amount.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports on SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 9 – Postemployment Benefits (continued)

B. State Teachers Retirement System of Ohio

Plan Description – STRS administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. 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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

The Academy's contractually required health care contributions to STRS for fiscal years 2015, 2014, and 2013 were \$0, \$10,824, and \$9,703, respectively. The entire amount has been contributed for each fiscal year.

Note 10 – Other Employee Benefits

A. Medical, Life, Dental and Vision Insurance Benefits

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 11 – 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. State Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools must comply with minimum hours of instruction, instead of number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Academy.

Note 12 – Purchased Services

For the fiscal year ended June 30, 2015, purchased services disbursements were as follows:

Professional & Technical Services	\$ 64,129
Property Services & Rentals	297,546
Meeting Expenses	26,032
Postage, Advertising and Printing	43,565
Utilities	105,870
Pupil Transportation	37,847
Contracted Food Services	275,317
Other Purchased Services	42,846
Total	<u>\$ 893,152</u>

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 13 – Risk Management

A. Property and Liability

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

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

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Ohio Casualty	\$ 1,000,000	\$ -
Aggregate		2,000,000	-
Building and Contents	Ohio Casualty	1,376,968	1,000
Personal Property	Ohio Casualty	300,000	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.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2015

Note 14 – Change in Accounting Principles and Restatement of Net Position

For fiscal year 2015, the Academy implemented *GASB Statement No. 69 “Government Combinations and Disposals of Government Operations”* which provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of this statement did not have an effect on the financial statements of the Academy.

For fiscal year 2015, the Academy also implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” These Statements established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of these pronouncements had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$	558,454
Adjustments:		
Net Pension Liability		(3,633,697)
Deferred Outflows - Payments Subsequent to Measurement Date		202,413
Restated Net Position June 30, 2014	\$	(2,872,830)

Other than employer contributions subsequent to the measurement date, the Academy made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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

LAST 2 FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
Academy's Proportion of the Net Pension Liability	0.013869%	0.013869%
Academy's Proportionate Share of the Net Pension Liability	\$ 701,902	\$ 824,745
Academy's Covered-Employee Payroll	\$ 404,667	\$ 428,432
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.45%	192.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

LAST 2 FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
Academy's Proportion of the Net Pension Liability	0.009695%	0.009695%
Academy's Proportionate Share of the Net Pension Liability	\$ 2,358,099	\$ 2,808,952
Academy's Covered-Employee Payroll	\$ 1,082,381	\$ 970,318
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	217.86%	289.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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

LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$ 71,473	\$ 56,087	\$ 59,295	\$ 44,420	\$ 37,210	\$ 28,192	\$ 11,625	\$ 9,910	\$ 10,789	\$ 9,109
Contributions in relation to the contractually required contribution	\$ 71,473	\$ 56,087	\$ 59,295	\$ 44,420	\$ 37,210	\$ 28,192	\$ 11,625	\$ 9,910	\$ 10,789	\$ 9,109
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 542,282	\$ 404,667	\$ 428,432	\$ 330,260	\$ 296,022	\$ 208,213	\$ 118,140	\$ 100,916	\$ 101,021	\$ 86,096
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**A+ ARTS ACADEMY
SCHEDULE OF ACADEMY CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually Required Contribution	\$ 208,826	\$ 140,709	\$ 126,141	\$ 121,971	\$ 105,412	\$ 66,413	\$ 64,542	\$ 64,682	\$ 61,887	\$ 53,917
Contributions in relation to the contractually required contribution	\$ 208,826	\$ 140,709	\$ 126,141	\$ 121,971	\$ 105,412	\$ 66,413	\$ 64,542	\$ 64,682	\$ 61,887	\$ 53,917
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,491,615	\$ 1,082,381	\$ 970,318	\$ 938,239	\$ 810,862	\$ 510,869	\$ 496,477	\$ 497,554	\$ 476,054	\$ 414,746
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

A+ Arts Academy
 FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through the Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	2015	10.553	\$ 93,208	\$ 93,208
National School Lunch Program	2015	10.555	224,180	224,180
Total Nutrition Cluster			<u>317,388</u>	<u>317,388</u>
Total U.S. Department of Agriculture			<u>317,388</u>	<u>317,388</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through the Ohio Department of Education:</i>				
ARRA - Race to the Top	2014	84.395	3,259	1,077
ARRA - Race to the Top	2015	84.395	-	1,938
ARRA - Race to the Top AVID Initiative	2014	84.395	-	2,123
ARRA - Race to the Top Mini Grant	2014	84.395	500	580
Total Race to the Top			<u>3,759</u>	<u>5,718</u>
Special Education - Grants to States	2014	84.027	-	6,585
Special Education - Grants to States	2015	84.027	68,465	65,975
Total Special Education - Grants to States			<u>68,465</u>	<u>72,560</u>
Title I Grants to Local Educational Agencies	2014	84.010	-	21,206
Title I Grants to Local Educational Agencies	2015	84.010	353,814	370,086
Total Title I Grants to Local Educational Agencies			<u>353,814</u>	<u>391,292</u>
Improving Teacher Quality Grant Program	2015	84.367	2,404	3,415
Total U.S. Department of Education			<u>428,442</u>	<u>472,985</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES				
<i>Passed Through the Franklin County Job and Family Services:</i>				
Temporary Assistance for Needy Families	2014	93.558	181,857	173,885
Temporary Assistance for Needy Families	2015	93.558	-	14,994
Total Temporary Assistance for Needy Families			<u>181,857</u>	<u>188,879</u>
Total U.S. Department of Health and Human Resources			<u>181,857</u>	<u>188,879</u>
Total Federal Financial Assistance			<u><u>\$ 927,687</u></u>	<u><u>\$ 979,252</u></u>

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

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
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 Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the A+ Arts Academy (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 14, 2015. We noted the Academy adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Controls Over Financial Reporting

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

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

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

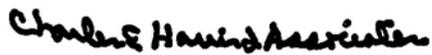
A+ Arts Academy
Franklin County
Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and on Compliance and
Other Matters Required by *Government Auditing Standards*

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 14, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the A+ Arts Academy (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of A+ Arts Academy's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

A+ Arts Academy
Franklin County
Independent Auditors' Report on Compliance With
Requirements Applicable to Each Major Federal
Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133

Opinion on Each Major Federal Program

In our opinion, the A+ Arts Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Charles E. Harris and Associates, Inc.

December 14, 2015

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**A+ ARTS ACADEMY
FRANKLIN COUNTY
June 30, 2015**

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>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(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 Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA #10.553 and #10.555, Nutrition Cluster CFDA #84.010, Title I Grants to Local Educational Agencies
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

A+ ARTS ACADEMY
FRANKLIN COUNTY
For the Year Ended June 30, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, as of June 30, 2014, reported no material citations or recommendations.

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

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Directors:

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

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

1. In the previous audit report by another auditor dated December 18, 2014, it was noted the Board adopted an anti-harassment policy. However, this policy did not include all matters required by Ohio Revised Code Section 3313.666.
2. The Board amended its anti-harassment policy at its meeting on August 20, 2014. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

This report is intended solely for the information and use of the Board and its Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
December 14, 2015

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Dave Yost • Auditor of State

A+ ARTS ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2016**