

***A+ ARTS ACADEMY
(A COMPONENT UNIT OF REYNOLDSBURG
CITY SCHOOL DISTRICT)***

FRANKLIN COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017





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, 2016 through June 30, 2017. 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

January 25, 2018

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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, 2017

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

REPORT OF INDEPENDENT AUDITORS

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the A+ Arts Academy, Franklin County, Ohio (The Academy) a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2017, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information


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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 13, 2017

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, 2017
(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, 2017. 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 2017 are as follows:

- Net Position of the Academy was negative \$3,236,328 at fiscal year-end, a decrease of \$1,001,040 in comparison with the prior fiscal year-end.
- Total assets decreased \$100,174 and total liabilities increased \$3,876,875 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
(A Component Unit of Reynoldsburg City School District)
Franklin County, Ohio

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Table 1 provides a summary of the Academy's net position for fiscal year 2017 compared to those reported for fiscal year 2016.

Table 1
Net Position

	2017	2016
Assets:		
Current Assets	\$ 618,189	\$ 663,359
Capital Assets	1,933,117	1,988,121
Total Assets	2,551,306	2,651,480
Deferred Outflows of Resources:		
Pensions	4,337,022	1,510,253
Liabilities:		
Current liabilities	597,478	694,487
Noncurrent liabilities	9,527,178	5,553,294
Total Liabilities	10,124,656	6,247,781
Deferred Inflows of Resources:		
Pensions	-	149,240
Net Position:		
Net Investment in Capital Assets	1,185,616	1,121,412
Restricted	68,365	10,461
Unrestricted	(4,490,309)	(3,367,161)
Total Net Position	\$ (3,236,328)	\$ (2,235,288)

Deferred Outflows of Resources and Net Pension Liability both increased significantly in comparison with the prior fiscal year. These increases are primarily the result of a change in actuarial assumptions and the difference between expected and actual investment returns, as reported by the pension systems, as well as an increase in the Academy's proportionate share.

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

A+ Arts Academy
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Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Total net position decreased \$1,001,040 during the fiscal year. The following demonstrates the details of this change.

Table 2
Change in Net Position

	2017	2016
Operating Revenues:		
State Foundation	\$ 4,172,099	\$ 4,520,669
Tuition and Fees	7,177	16,645
Extracurricular	34,481	56,213
Other	58,007	58,195
Total Revenues	4,271,764	4,651,722
Operating Expenses:		
Personal Services	5,048,487	3,936,505
Purchased Services	1,246,619	1,569,410
Materials and Supplies	369,901	680,517
Depreciation	75,902	64,151
Other	228,133	236,460
Total Operating Expenses	6,969,042	6,487,043
Non-Operating Revenues/(Expenses):		
Restricted Federal and State Grants	1,575,955	1,746,302
Other Unrestricted State Grants	154,061	129,373
Donations	4,204	1,453
Interest Payments	(37,982)	(51,750)
Total Non-Operating Revenues/(Expenses)	1,696,238	1,825,378
Change in Net Position	(1,001,040)	(9,943)
Net Position Beginning of Year	(2,235,288)	(2,225,345)
Net Position End of Year	\$ (3,236,328)	\$ (2,235,288)

State Foundation and Restricted Federal and State Grants both decreased significantly due to a decrease in enrollment from 672 students in fiscal year 2016 to 610 students in fiscal year 2017.

Total Operating Expenses increased significantly in comparison with the prior year. This increase is primarily due to an increase in pension expense, as reported by the pension systems.

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, 2017
(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 had \$1,933,117 invested in capital assets, a decrease of \$55,004 in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation (\$75,902) exceeded capital asset additions (\$20,898). See Note 5 for more information.

Debt Administration

As of fiscal year-end, the Academy had \$747,501 in outstanding mortgage loans, a decrease of \$119,208 in comparison with the prior fiscal year. This decrease represents the amount of loan principal payments, totaling \$119,208. 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 Brian Adams, 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, 2017

Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 457,690
Intergovernmental Receivable	155,673
Prepaid items	4,826
Total Current Assets	618,189
Noncurrent Assets	
Nondepreciable Capital Assets	153,092
Depreciable Capital Assets, Net	1,780,025
Total Noncurrent Assets	1,933,117
Total Assets	2,551,306
Deferred Outflows of Resources:	
Pension	4,337,022
Liabilities:	
Current Liabilities	
Accounts Payable	21,521
Accrued Wages and Benefits	379,163
Intergovernmental Payable	65,764
Mortgage Loan Payable	131,030
Total Current Liabilities	597,478
Long-Term Liabilities:	
Compensated Absences	100,918
Mortgage Loan Payable	616,471
Net Pension Liability	8,809,789
Total Noncurrent Liabilities	9,527,178
Total Liabilities	10,124,656
Net Position:	
Net Investment in Capital Assets	1,185,616
Restricted for:	
Food Service Program	62,494
Federally Funded Programs	5,525
Other Purposes	346
Unrestricted	(4,490,309)
Total Net Position	\$ (3,236,328)

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, 2017

Operating Revenues:	
State Foundation	\$ 4,172,099
Tuition and Fees	7,177
Extracurricular	34,481
Other	58,007
Total Operating Revenues	<u>4,271,764</u>
Operating Expenses:	
Salaries and Wages	3,177,604
Fringe Benefits	1,870,883
Purchased Services	1,246,619
Materials and Supplies	369,901
Depreciation	75,902
Other	228,133
Total Operating Expenses	<u>6,969,042</u>
Operating Loss	<u>(2,697,278)</u>
Non-Operating Revenues/(Expenses):	
Restricted Federal and State Grants	1,575,955
Other Unrestricted State Grants	154,061
Donations	4,204
Interest Payments	(37,982)
Total Non-Operating Revenues/(Expenses)	<u>1,696,238</u>
Change in Net Position	(1,001,040)
Net Position Beginning of Year	<u>(2,235,288)</u>
Net Position End of Year	<u>\$ (3,236,328)</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, 2017

Cash Flows From Operating Activities	
Cash Received from State Foundation	\$ 4,085,460
Cash Received from Tuition and Fees	9,174
Cash Received from Extracurricular	34,481
Cash Received from Other	58,007
Cash Payments for Salaries and Wages	(3,180,968)
Cash Payments for Fringe Benefits	(777,542)
Cash Payments for Purchased Services	(1,266,325)
Cash Payments for Materials and Supplies	(381,322)
Cash Payments for Other	(229,004)
Net Cash Used by Operating Activities	<u>(1,648,039)</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from Federal and State Grants	1,776,850
Cash Received from Donations and Contributions	4,204
Net Cash Provided by Noncapital Financing Activities	<u>1,781,054</u>
Cash Flows From Capital and Related Financing Activities	
Principal Retirement	(119,208)
Interest and Fiscal Charges	(37,982)
Acquisition of Capital Assets	(20,898)
Net Cash Used by Capital and Related Financing Activities	<u>(178,088)</u>
Net Increase in Cash and Cash Equivalents	(45,073)
Cash and Cash Equivalents at Beginning of Year	502,763
Cash and Cash Equivalents at End of Year	<u>\$ 457,690</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, 2017

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

Operating Loss	\$ (2,697,278)
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**Adjustments to Reconcile Operating Loss
to Net Cash Used by Operating Activities:**

Depreciation	75,902
Change in Assets and Liabilities:	
Accounts Receivable	1,997
Intergovernmental Receivable	(43,908)
Prepaid Items	(4,826)
Accounts Payable	(31,998)
Accrued Wages	(10,167)
Net Pension Liability and Related Deferred Inflows/Outflows	1,080,225
Intergovernmental Payable	(60,944)
Compensated Absences Payable	42,958
Net Cash Used by Operating Activities	<u>\$ (1,648,039)</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, 2017

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 is approved for operation under a contract with the Reynoldsburg City School District (the “Sponsor”). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy 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 three instructional/support facilities staffed by 39 non-certified staff members and 44 certified full time teaching personnel who provide services to 610 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, 2017

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 acquisition value on the date donated. The Academy has maintained a capitalization threshold of \$1,000. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expended when incurred.

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

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

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

A+ ARTS ACADEMY
FRANKLIN COUNTY, OHIO
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 \$457,690, and the bank balance totaled \$479,662. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and the remaining balance was collateralized in accordance with Ohio Revised Code.

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.

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, 2017

Note 4 – Receivables

At fiscal year-end, intergovernmental receivables, consisting primarily of federal grants, totaled \$155,673. All intergovernmental receivables are considered collectible within one year.

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

Capital Assets:	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 147,642	\$ 5,450	\$ -	\$ 153,092
Total capital assets, not being depreciated	<u>147,642</u>	<u>5,450</u>	<u>-</u>	<u>153,092</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	44,217	-	-	44,217
Building	1,814,408	-	-	1,814,408
Furniture and Equipment	422,814	15,448	-	438,262
Total capital assets, being depreciated	<u>2,281,439</u>	<u>15,448</u>	<u>-</u>	<u>2,296,887</u>
Less Accumulated Depreciation:				
Land Improvements	(10,564)	(2,653)	-	(13,217)
Building	(189,226)	(35,451)	-	(224,677)
Furniture and Equipment	(241,170)	(37,798)	-	(278,968)
Total accumulated depreciation	<u>(440,960)</u>	<u>(75,902)</u>	<u>-</u>	<u>(516,862)</u>
Depreciable Capital Assets, Net	<u>1,840,479</u>	<u>(60,454)</u>	<u>-</u>	<u>1,780,025</u>
Total Capital Assets, Net	<u>\$ 1,988,121</u>	<u>\$ (55,004)</u>	<u>\$ -</u>	<u>\$ 1,933,117</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	\$ 603,769	\$ -	\$ (59,500)	\$ 544,269	\$ 62,497
2015 Mortgage loan payable	262,940	-	(59,708)	203,232	68,533
Total Loans Payable	<u>866,709</u>	<u>-</u>	<u>(119,208)</u>	<u>747,501</u>	<u>131,030</u>
Net Pension Liability	4,753,555	4,056,234	-	8,809,789	-
Compensated Absences	57,960	100,918	(57,960)	100,918	-
Total Long-term Liabilities	<u>\$ 5,678,224</u>	<u>\$ 4,157,152</u>	<u>\$ (177,168)</u>	<u>\$ 9,658,208</u>	<u>\$ 131,030</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.

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.

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>
2018	\$ 131,030	\$ 34,399	\$ 165,429
2019	137,704	27,696	165,400
2020	131,534	20,657	152,191
2021	72,399	15,717	88,116
2022	76,103	12,013	88,116
2023-2025	198,731	14,219	212,950
Total	<u>\$ 747,501</u>	<u>\$ 124,701</u>	<u>\$ 872,202</u>

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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 \$142,050 in sponsorship fee services under this agreement.

Note 8 – Defined Benefit Pension Plans

Net Pension Liability

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

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

The Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The 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.

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Note 8 – Defined Benefit Pension Plans (Continued)

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 the accrual basis 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.

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.

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Note 8 – Defined Benefit Pension Plans (Continued)

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, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent and nothing was allocated to the Health Care Fund.

The Academy's contractually required pension contribution to SERS was \$137,612 for fiscal year 2017. Of this amount, \$4,813 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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.

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Note 8 – Defined Benefit Pension Plans (Continued)

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.

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 was increased one percent each year until it reached 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$301,238 for fiscal year 2017. Of this amount, \$32,515 is reported as an intergovernmental payable.

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Note 8 – Defined Benefit Pension Plans (Continued)

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - 2017	\$1,931,175	\$6,878,614	\$8,809,789
Proportion of the Net Pension Liability - 2017	0.0263855%	0.02054973%	
Proportion of the Net Pension Liability - 2016	<u>0.0176249%</u>	<u>0.01356099%</u>	
Change in Proportionate Share	0.0087606%	0.00698874%	
Pension Expense	\$391,645	\$1,127,430	\$1,519,075

At June 30, 2017, 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	\$26,046	\$277,930	\$303,976
Differences between projected and actual investment earnings	159,294	571,110	730,404
Changes of assumptions	128,917	0	128,917
Change in proportionate share	485,803	2,249,072	2,734,875
School contributions subsequent to the measurement date	<u>137,612</u>	<u>301,238</u>	<u>438,850</u>
Total Deferred Outflows of Resources	<u>\$937,672</u>	<u>\$3,399,350</u>	<u>\$4,337,022</u>

\$438,850 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, 2018.

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

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Note 8 – Defined Benefit Pension Plans (Continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	\$267,225	\$743,717	\$1,010,942
2019	267,109	743,718	1,010,827
2020	233,205	962,866	1,196,071
2021	32,521	647,811	680,332
Total	\$800,060	\$3,098,112	\$3,898,172

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 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.

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Note 8 – Defined Benefit Pension Plans (Continued)

The most recent experience study was completed June 30, 2015.

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:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$2,556,756	\$1,931,175	\$1,407,538

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Note 8 – Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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, 2016, 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:

<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, 2016. 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, 2016.

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Note 8 – Defined Benefit Pension Plans (Continued)

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, 2016.

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$9,141,119	\$6,878,614	\$4,970,058

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the Academy’s Net Pension Liability is expected to be significant.

(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, 2017, three members of the Board of Directors have elected Social Security. The Academy’s liability is 6.2 percent of wages paid.

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.

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Note 9 – Postemployment Benefits (Continued)

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, 2017, the health care allocation is 0.00%. 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 2017, the minimum compensation level was established at \$23,500. 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, including the surcharge, for the years ended June 30, 2017, 2016, and 2015 were \$15,567, \$27,086 and \$15,059, respectively. The entire amount has been contributed for fiscal years 2016 and 2015. For fiscal year 2017, the entire amount is reported as an intergovernmental payable.

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.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employee contributions. For fiscal year 2017, STRS did not allocate any employee contributions for post-employment health care.

The Academy's contractually required health care contributions to STRS for fiscal year 2017, 2016, and 2015 was \$0 for all three years.

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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.

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

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

The first ODE adjustment resulted in an adjustment in favor of the Academy of \$ 43,803 and it is included in fiscal year 2017 as an Intergovernmental Receivable. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy reported in fiscal year 2018

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(A Component Unit of Reynoldsburg City School District)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 – Contingent Liabilities (Continued)

In addition, the Academy’s contracts with their Sponsor, require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Academy reported in fiscal year 2018.

Note 12 – Purchased Services

For the fiscal year ended June 30, 2017, purchased services disbursements were as follows:

Professional & Technical Services	\$	169,830
Property Services & Rentals		385,274
Meeting Expenses		29,990
Postage, Advertising and Printing		12,396
Utilities		159,550
Pupil Transportation		72,834
Contracted Food Services		384,316
Other Purchased Services		32,429
Total	\$	<u>1,246,619</u>

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.

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, 2017

Note 13 – Risk Management (Continued)

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
Education liability:			
Each occurrence	Netherland	\$ 1,000,000	\$ -
Aggregate	Insurance	2,000,000	-
Building and Contents	Netherland		
	Insurance	5,776,968	1,000
Personal Property	Netherland		
	Insurance	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.

Note 14 – Change in Accounting Principles

For fiscal year 2017, the Academy implemented *GASB Statement No. 77 "Tax Abatement Disclosures"* which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government's ability to raise resources in the future, by reporting (1) the government's own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not have an effect on the financial statements of the Academy.

For fiscal year 2017, the Academy implemented *GASB Statement No. 78 "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans"* which amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the Academy.

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, 2017

Note 14 – Change in Accounting Principles (Continued)

For fiscal year 2017, the Academy implemented *GASB Statement No. 79 “Certain External Investment Pools and Pool Participants”* which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have an effect on the financial statements of the Academy.

For fiscal year 2017, the Academy implemented *GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”* which amends the blending requirements for the financial statement presentation of component units of all state and local governments to enhance the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the Academy.

For fiscal year 2017, the Academy implemented *GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73”* which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the Academy.

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Academy's Proportion of the Net Pension Liability	0.0263855%	0.0176249%	0.013869%	0.013869%
Academy's Proportionate Share of the Net Pension Liability	\$ 1,931,175	\$ 1,005,694	\$ 701,902	\$ 824,745
Academy's Covered-Employee Payroll	\$ 838,321	\$ 542,282	\$ 404,667	\$ 428,432
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	230.36%	185.46%	173.45%	192.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	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 FOUR FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Academy's Proportion of the Net Pension Liability	0.02054973%	0.01356099%	0.009695%	0.009695%
Academy's Proportionate Share of the Net Pension Liability	\$ 6,878,614	\$ 3,747,891	\$ 2,358,099	\$ 2,808,952
Academy's Covered-Employee Payroll	\$ 2,267,546	\$ 1,491,615	\$ 1,082,381	\$ 970,318
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	303.35%	251.26%	217.86%	289.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 137,612	\$ 117,365	\$ 71,473	\$ 56,087
Contributions in relation to the contractually required contribution	\$ 137,612	\$ 117,365	\$ 71,473	\$ 56,087
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 982,947	\$ 838,321	\$ 542,282	\$ 404,667
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$ 59,295	\$ 44,420	\$ 37,210	\$ 28,192	\$ 11,625	\$ 9,910
\$ 59,295	\$ 44,420	\$ 37,210	\$ 28,192	\$ 11,625	\$ 9,910
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 428,432	\$ 330,260	\$ 296,022	\$ 208,213	\$ 118,140	\$ 100,916
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 301,238	\$ 317,456	\$ 208,826	\$ 140,709
Contributions in relation to the contractually required contribution	\$ 301,238	\$ 317,456	\$ 208,826	\$ 140,709
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,151,697	\$ 2,267,546	\$ 1,491,615	\$ 1,082,381
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$ 126,141	\$ 121,971	\$ 105,412	\$ 66,413	\$ 64,542	\$ 64,682
\$ 126,141	\$ 121,971	\$ 105,412	\$ 66,413	\$ 64,542	\$ 64,682
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 970,318	\$ 938,239	\$ 810,862	\$ 510,869	\$ 496,477	\$ 497,554
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**A+ ARTS ACADEMY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/ <i>Pass Through Grantor/</i> Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through the Ohio Department of Education:</i>		
Nutrition Cluster:		
School Breakfast Program	10.553	\$ 154,900
National School Lunch Program	10.555	300,620
Total Nutrition Cluster		<u>455,520</u>
Fruit and Vegetable Grant	10.582	<u>31,307</u>
Total U.S. Department of Agriculture		486,827
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education:</i>		
Special Education - Grants to States - 2016	84.027	7,076
Special Education - Grants to States - 2017	84.027	115,281
Total Special Education - Grants to States		<u>122,357</u>
Title I Grants to Local Educational Agencies - 2017	84.010	187,034
Improving Teacher Quality Grant Program - 2016	84.367	9,583
Improving Teacher Quality Grant Program - 2017	84.367	50,519
Total Improving Teacher Quality Grant Programs		<u>60,102</u>
Total U.S. Department of Education		\$369,493
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Passed Through the Franklin County Job and Family Services:</i>		
Temporary Assistance for Needy Families	93.558	<u>246,801</u>
Total U.S. Department of Health and Human Services		<u>246,801</u>
Total Federal Financial Assistance		<u><u>\$ 1,103,121</u></u>

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

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the A+ Arts Academy's (Academy) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Academy has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the A+ Arts Academy, Franklin, County, Ohio (the Academy), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2017, 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 13, 2017.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 13, 2017

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Charles E. Harris & Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the A+ Arts Academy, Franklin County, Ohio's, (Academy), a component unit of the Reynoldsburg City School District, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2017. The Academy's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Academy's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the A+ Arts Academy, Franklin County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.


Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

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



Charles E. Harris & Associates, Inc.

December 13, 2017

**A+ ARTS ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
June 30, 2017**

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 2 CFR § 200.516(a)</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CFDA #10.553, 10.582, and #10.555, Nutrition Cluster
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: >\$750,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

**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
(a Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY
For the Year Ended June 30, 2017

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, as of June 30, 2016, reported no material citation or recommendations.



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
FEBRUARY 6, 2018**