RITTMAN ACADEMY
WAYNE COUNTY

Audit Report

For the Fifteen Months Ended June 30, 2007

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants

Mary Taylor, CPA
Auditor of State

Board of Directors
Rittman Academy
75 North Main Street
Rittman, Ohio 44270

We have reviewed the *Report of Independent Accountants* of the Rittman Academy, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period April 1, 2006 through June 30, 2007. 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 Rittman Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 4, 2008

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RITTMAN ACADEMY
WAYNE COUNTY
Audit Report
For the Fifteen Months Ended June 30, 2007

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REPORT OF INDEPENDENT ACCOUNTANTS

Rittman Academy
Wayne County
75 North Main Street
Rittman Ohio 44240

To the Board of Directors:

We have audited the accompanying basic financial statements of the Rittman Academy, Wayne County, Ohio, (the Academy), for the fifteen months ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows for the fifteen month period then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2007 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
November 11, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 15 MONTHS ENDED JUNE 30, 2007
(Unaudited)

This discussion and analysis of the Rittman Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal period ended June 30, 2007. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis ("the MD & A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments" issued in June of 1999. Certain comparative information between the current fiscal period and the prior fiscal period is required to be presented in the MD & A, however since this is the Academy's first year of operation no comparison to prior period is possible.

Highlights

Key financial highlights for fiscal period 2007 are as follows:

- Total net assets increased $214,249 in the fiscal period 2007.
- Total assets increased $214,327 in fiscal period 2007.
- Total liabilities increased $78 in fiscal period 2007.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the Academy did financially during the fiscal period ended June 30, 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Academy has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Table 1 provides a summary of the Academy's net assets as of June 30, 2007:

Table 1
Net Assets

		Net Assets 2007
Assets:		
Current and other assets	$	173,223
Capital assets, net of depreciation		41,104
Total assets		214,327
Liabilities:		
Current and other liabilities		78
Net Assets:		
Invested in capital assets, net of debt		41,104
Unrestricted		173,145
Total net assets	$	214,249

Since the Academy started in April 2006, there is no comparison to the previous period.

Total assets were $214,327 in fiscal period 2007. This increase is primarily due to increases in cash held by the Academy. Cash amounted to $173,223 and net capital assets totaled $41,104.

Total liabilities, which consisted of accrued wages, equaled $78.

Table 2 shows the changes in net assets for the fiscal period ended June 30, 2007, as well as a listing of revenues and expenses.

Table 2
Changes in Net Assets

	2007
Operating revenues:	
Foundation payment	$ 341,644
Non operating revenues/(expenses):	
State and federal grants	157,418
Refund of prior year expense	3,950
Other non-operating expenses	(20)
Total non operating revenues	161,348
Total revenues	502,992
Operating expense:	
Salaries	29,528
Fringe benefits	8,162
Purchased services	241,239
Materials and supplies	3,463
Depreciation	6,321
Other	30
Total operating expenses	288,743
Net income (loss)	214,249
Net assets, beginning of year	-
Net assets, end of year	$ 214,249

Total net assets increased $214,249 in the fiscal period 2007, as a result of revenues from various federal, state and local grant programs. Community schools receive no support from local taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are the primary support for the Academy's existence.

Budgeting

The Academy is not required to follow the budgetary provision set forth in Ohio Revised Code Chapter 5705.

Capital Assets

The Academy had $41,104 invested in capital assets (net of accumulated depreciation). Capital assets consist of $47,425 in furniture, fixtures and equipment. These capital assets were offset by $6,321 in accumulated depreciation resulted in net capital assets of $41,104. See Note 4 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

Debt

The Academy did not incur any debt during the fiscal period ended June 30, 2007.

Contacting the Academy's Financial Management:

This financial report is designed to provide our citizens, investors 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 any questions about this report or need additional information, contact Mark Dickerhoof, Treasurer, at Rittman Academy, 75 North Main Street, Rittman, Ohio 44240.

RITTMAN ACADEMY
WAYNE COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	2007
ASSETS	
Current assets:	
Cash	$ 173,223
Noncurrent assets:	
Capital assets, net of accumulated depreciation	41,104
Total assets	$ 214,327
LIABILITIES	
Current liabilities:	
Accrued wages and benefits	$ 78
NET ASSETS:	
Invested in capital assets	41,104
Unrestricted	173,145
Total net assets	214,249

See accompanying notes to the basic financial statements.

RITTMAN ACADEMY
WAYNE COUNTY

STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS
FOR THE 15 MONTHS ENDED JUNE 30, 2007

	2007
Operating revenues:	
State foundation	$ 341,644
Operating expenses:	
Salaries	29,528
Fringe benefits	8,162
Purchased services	241,239
Materials and supplies	3,463
Depreciation	6,321
Other	30
Total operating expenses	288,743
Operating income	52,901
Non-operating revenues:	
State and federal grants	157,418
Refund of prior year expense	3,950
Other non-operating expenses	(20)
Total non-operating revenues	161,348
Net income	214,249
Net assets at beginning of period	-
Net assets at end of period	$ 214,249

RITTMAN ACADEMY
WAYNE COUNTY

STATEMENT OF CASH FLOWS
FOR THE 15 MONTHS ENDED JUNE 30, 2007

Cash flows from operating activities:		
Cash from the State of Ohio	$	341,644
Cash payments to suppliers for goods and services		(244,702)
Cash payments to employees for services and benefits		(37,612)
Cash payment for other operating expenses		(30)
Net cash used for operating activities		59,300
Cash flows from noncapital financing activities:		
State and Federal grants		157,418
Refund of prior year expense		3,950
Other non-operating expenses		(20)
Net cash provided by noncapital financing activities		161,348
Cash flows from capital and related financing activities:		
Cash payments from capital acquisitions		(47,425)
Net increase in cash		173,223
Cash at beginning of year		-
Cash at end of year	$	173,223
Reconciliation of operating income to net cash used for operating activities:		
Operating income	$	52,901
Adjustments to reconcile operating income to net cash used for operating activities:		
Depreciation		6,321
Change in assets and liabilities:		
Increase in liability:		
Accrued wages and benefits		78
Total adjustments		6,399
Net cash used for operating activities	$	59,300

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Rittman Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702 to educate students in kindergarten through twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Board of Education of the Rittman Exempted Village Schools (the Sponsor) for a period of five years commencing with fiscal year July 1, 2005 through June 30, 2006. The Academy operates under a five-member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its basic financial statements provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/ or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with the Sponsor. The contract between the Academy and the Sponsor, the Board of Education of the Rittman Exempted Village Schools, does not prescribe a budgetary process for the Academy.

D. Cash

Cash received by the Academy is maintained in a demand deposit account.

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the period. The Academy capitalized all assets that were capital in nature and over $500. The Academy does not possess any infrastructure and does not capitalize interest costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of furniture, fixtures, and equipment is computed using the straight-line method over estimated useful lives of five to ten years.

G. Tax Exemption Status

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy’s status as an integral part of its sponsoring political subdivision, the Rittman Exempted Village Schools.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if 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 or some other means. The Academy records a liability for accumulated unused vacation time when earned for all employees. The Academy does not pay sick leave benefits upon termination or retirement. No liability has been recorded for vacation or sick leave since the amounts are minor.

NOTE 3 - DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the Academy's deposits was $173,223. The Academy's bank balance of $175,854 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the Academy's name	*$*	*75,854*

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A summary of the Academy's capital assets at June 30, 2007, follows:

	Balance 6/30/2006	*Additions*	*Reductions*	*Balance 6/30/2007*
Furniture, fixtures and equipment	*$ -*	*$ 47,425*	*$ -*	*$ 47,425*
Less: Accumulated depreciation	*-*	*(6,321)*	*-*	*(6,321)*
Net capital assets	*$ -*	*$ 41,104*	*$ -*	*$ 41,104*

NOTE 5 - PURCHASED SERVICES

For the period March 1, 2006 through June 30, 2007, purchased service expenses were payments for services rendered by various vendors as follows:

Communications services	*$ 117*
Professional services	*241,122*
Total	*$ 241,239*

NOTE 6 – CONTRACT WITH THE TRI-COUNTY EDUCATIONAL SERVICE CENTER

For the 15 months ending June 30, 2007, Rittman Academy paid Tri-County Educational Service Center for curriculum. The amount paid during the audit period was $231,272.

NOTE 7 - RISK MANAGEMENT

Property and Liability

The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal period 2007, the Academy contracted with a commercial insurance carrier for general liability insurance. There is a $1,000 deductible and a $1 million limit per occurrence and a general aggregate limit of $2 million.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of–living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2007 was $1,680, 100 percent has been contributed for the fiscal year.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to member and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, A Defined Benefit (DB) Plan, A Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contributions rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2007 was $1,183, 100 percent has been contributed for fiscal year 2007.

NOTE 9 – POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statue. Both systems are on a pay-as-you-go basis.

STRS retirees who participate in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled $85. At June 30, 2006 (the latest information available), the balance in the fund was $3.5 billion. Net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit participants.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll. For the Academy, this amount was $1,270. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ended June 30, 2006 (the latest information available) were $158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221% of next year's projected net health care costs.

On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits at June 30, 2006 (the latest information available) was 59,492.

NOTE 10 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitution issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that the Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral arguments occurred on November 29, 2005. On October 25, 2006, the Ohio Supreme Court ruled that the Community Schools are constitutional.

NOTE 11 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued it latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient…" The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial position.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Rittman Academy
Wayne County
75 North Main Street
Rittman, Ohio 44240

To the Board of Directors:

We have audited the financial statements of the Rittman Academy (the Academy) as of and for the fifteen months ended June 30, 2007, which collectively comprise the Academy's financial statements and have issued our report thereon dated November 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

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

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, grant agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Board of Directors and the audit committee is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
November 11, 2007

Mary Taylor, CPA
Auditor of State

RITTMAN ACADEMY

WAYNE 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 15, 2008

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