Rittman Academy
Wayne County

Audited Financial Statements

June 30, 2011

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

Dave Yost • Auditor of State

Board of Directors
Rittman Academy
100 Saurer Street
Rittman, Ohio 44270

We have reviewed the *Independent Auditor's Report* of the Rittman Academy, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

Dave Yost
Auditor of State

November 28, 2011

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RITTMAN ACADEMY
WAYNE COUNTY

Table of Contents

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS
Focused on Your Future.

October 7, 2011

To the Board of Directors
Rittman Academy
100 Saurer Street
Rittman, Ohio 44270

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of the Rittman Academy (the "Academy"), a component unit of the Rittman Exempted Village School District, as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 respective financial position of the business-type activities of the Academy, as of June 30, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 7, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

Rea & Associates, Inc.

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The discussion and analysis of Rittman Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Capital assets increased $40,972 in fiscal year 2011.
- Total net assets increased $28,579 in fiscal year 2011.
- Current liabilities decreased $27,451 in fiscal year 2011.

Using this Annual Financial Report

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 as a financial whole, an entire operating entity.

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 year ended June 30, 2011. 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 statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

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

Reporting the Academy as a Whole

Recall the Statements of Net Assets provides the perspective of the Academy as a whole.

Table 1 provides a summary of the Academy's net assets for 2011 compared to 2010:

Table 1
Net Assets

	2011	2010
Assets		
Current Assets	$ 284,685	$ 324,529
Noncurrent Assets	90,352	49,380
Total Assets	375,037	373,909
Liabilities		
Current Liabilities	9,190	36,641
Net Assets		
Invested in Capital Assets	90,352	49,380
Restricted	19,642	14,295
Unrestricted	255,853	273,593
Total Net Assets	$ 365,847	$ 337,268

Total assets were $375,037 in fiscal period 2011. The increase of $40,972 in capital assets is primarily due to the purchase of capital assets exceeding depreciation. The decrease of $89,011 in current assets is due to a decrease in cash. This decrease is due to the purchase of $73,025 new computers along with a decrease in foundation revenue.

Financial Analysis

Table 2 shows the changes in net assets for fiscal year 2011 compared 2010:

Table 2
Changes in Net Assets

	2011	2010
Operating Revenue		
Foundation payments	$ 215,223	$ 230,419
Other Operating Revenues	3,473	0
Total Operating Revenues	218,696	230,419
Non-Operating Revenues (Expense)		
State and federal grants	46,794	32,031
Total Revenues	265,490	262,450
Operating Expenses:		
Salaries	18,501	18,500
Fringe benefits	3,505	2,227
Purchased services	171,866	214,929
Materials and supplies	3,235	5,417
Depreciation	32,053	19,585
Other	7,751	7,630
Total operating expenses	236,911	268,288
Change in Net Assets	28,579	(5,838)
Net assets, beginning of year	337,268	343,106
Net assets, end of year	$ 365,847	$ 337,268

The Statement of Revenues, Expenses and Changes in Net Assets show the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating revenues associated with those expenses. That is, it identifies the amount of operating expenses supported by State and other funding.

The dependence upon state foundation revenues for operating activities is apparent. The Academy's foundation revenue is 81 percent of total revenue. State sources are by far the primary support for the Rittman Academy.

Purchased services decreased by $43,063 due to the Academy changing curriculum providers.

The Academy's Funds

The Academy had total revenues of $265,490 and expenses of $236,911. The change in net assets for the fiscal year ended June 30, 2011, was an increase of $28,579.

Budget

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy. The Academy has developed a five-year projection that is reviewed periodically by the Board of Directors.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the Academy had $90,352 (net of $80,597 in accumulated depreciation) invested in furniture, fixtures and equipment. Table 3 shows fiscal year 2011 balances compared to 2010. More detailed information is presented in Note 4 of the notes to the basic financial statements.

Table 3
Capital Assets (Net of Depreciation)

	2011	2010
Furniture, Fixtures and Equipment	$ 90,352	$ 49,380

Debt

The Academy did not incur any debt during the fiscal year ended June 30, 2011.

Current Financial Related Activities

The Academy is sponsored by the Rittman Exempted Village School District with a contract that is in effect through June 30, 2013. The Academy relies on State Foundation Funds, which is driven by student enrollment. The Academy also received Federal Funds through the Comprehensive Continuous Improvement Planning application that is provided by the Ohio Department of Education.

The future of the Academy is dependent upon continued funding from the State Foundation Funds and student enrollment as no local revenue can be generated through tuition or property taxes. It is the intention of the management of the Academy to pursue other State and Federal grants as they become available.

The Academy has committed itself to providing a quality online educational opportunity to students in a school setting and has provided full time academic help for students. The Academy's curriculum is developed to help students reach graduation in a non-traditional setting. The management will aggressively pursue adequate funding to secure the financial stability of the Academy. The management will work to maintain an enrollment level that will provide financial stability to the school.

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, 100 Saurer Street, Rittman, Ohio 44270.

Rittman Academy
Wayne County
Statement of Net Assets
June 30, 2011

		2011
Assets		
Current Assets:		
Cash and Cash Equivalents	$	214,313
Intergovernmental Receivable		21,205
Prepaid Items		49,167
Total Current Assets		284,685
Noncurrent Assets:		
Depreciable Capital Assets, Net		90,352
Total Assets		375,037
Liabilities		
Current Liabilities:		
Intergovernmental Payable		9,190
Net Assets		
Invested in Capital Assets		90,352
Restricted for Other Purposes		19,642
Unrestricted		255,853
Total Net Assets	$	365,847

See accompanying notes to the basic financial statements.

Rittman Academy
Wayne County
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

	2011
Operating Revenues	
Foundation Payments	$ 215,223
Other Operating Revenue	3,473
Total Operating Revenues	218,696
Operating Expenses	
Salaries	18,501
Fringe Benefits	3,505
Purchased Services	171,866
Materials and Supplies	3,235
Depreciation	32,053
Other	7,751
Total Operating Expenses	236,911
Operating Loss	(18,215)
Non-Operating Revenues	
Federal and State Grants	46,794
Change in Net Assets	28,579
Net Assets Beginning of Year	337,268
Net Assets End of Year	$ 365,847

See accompanying notes to the basic financial statements.

Rittman Academy
Wayne County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

		2011
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows From Operating Activities		
Cash Received from State Foundation	$	215,223
Other Cash Receipts		3,473
Cash Payments for Goods and Services		(251,572)
Cash Payments for Salaries and Benefits		(22,162)
Cash Payments for Other Expenses		(7,751)
Net Cash Used For Operating Activities		(62,789)
Cash Flows From Non-Capital Financing Activities		
Grants Received		39,778
Net Cash Provided by Non-Capital Financing Activities		39,778
Cash Flows From Capital and Related Activities		
Payments for Capital Acquisitions		(73,025)
Net Cash Used For Capital and Related Financing Activities		(73,025)
Net Decrease in Cash and Cash Equivalents		(96,036)
Cash and Cash Equivalents Beginning of Year		310,349
Cash and Cash Equivalents End of Year	$	214,313
Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities		
Operating Loss	$	(18,215)
Adjustments:		
Depreciation		32,053
(Increase) Decrease Assets		
Intergovernmental Receivable		(9)
Prepaid Items		(49,167)
Increase (Decrease) in Liabilities		
Intergovernmental Payable		(26,922)
Accounts Payable		(529)
Total Adjustments		(44,574)
Net Cash Used For Operating Activities	$	(62,789)

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Rittman Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 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 a contract with the Board of Education of the Rittman Exempted Village Schools (the Sponsor) for a period of five year commencing with fiscal year July 1, 2008 through June 30, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. 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.

The Academy is considered a component unit of the Rittman Exempted Village School District ("the Sponsor") for reporting purposes, in accordance with Governmental Accounting Standard Board (GASB) Statement No. 14.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) 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, provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.The Academy also has the option to apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply these FASB Statements and Interpretations. The more significant of the Academy's accounting policies are described below.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Rev. Code Chapter 5705, with the exception of 5705.391. All other budgetary provisions are not required to be followed, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

D. Cash and Cash Equivalents

Cash held by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Academy had no investments in 2011.

E. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy maintains a capitalization threshold of five hundred dollars. 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 an asset's life are expensed.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or 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. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets restricted for other purposes consist of grants.

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 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.

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. Operating Revenues and Expenses

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 non-operating.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

L. Changes in Accounting Principles

For the year ended June 30, 2011, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 59, *"Financial Instruments Omnibus."*

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the Academy.

M. 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 those estimates.

NOTE 3 - DEPOSITS

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2011, the Academy and public depositories complied with the provisions of these statutes.

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 percent 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.

At June 30, 2011, the carrying amount of the Academy's deposits was $214,313. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as June 30, 2011, the Academy's entire bank balance of $213,813 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the Academy.

NOTE 4 - CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2011:

	Balance 6/30/2010	Additions	Reductions	Balance 06/30/2011
Furniture, Fixtures and Equipment	$ 97,924	$ 73,025	$ 0	$ 170,949
Less: Accumulated Depreciation	(48,544)	(32,053)	0	(80,597)
Net Capital Assets	$ 49,380	$ 40,972	$ 0	$ 90,352

NOTE 5 – PURCHASED SERVICES

For the year ended June 30, 2011, purchased service expenses were recognized for professional services rendered by various vendors as follows:

	2011
Tri-County Educational Service Center	$ 143,572
NCS Pearson	16,389
Other	11,905
	$ 171,866

For the year ended June 30, 2011, Rittman Academy recognized $143,572 in expenses for educational services and curriculum provided by the Tri-County Educational Service Center.

The Academy paid NCS Pearson $65,556 for a four year subscription to their curriculum services for fiscal year 2011-2014, of which $49,167 has been reported as a prepaid asset.

NOTE 6 - RISK MANAGEMENT

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. For the year ended June 30, 2011, the Academy contracted with Cincinnati Insurance Company. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been any reduction in coverage from the prior year.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 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 ending 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's contributions to SERS for the years ended June 30, 2011, 2010 and 2009 were $344, $871 and $888, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, 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. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution 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 the DB Plan for the fiscal years ended June 30, 2011, 2010 and 2009 were $1,861, $1,415 and $1,359, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

NOTE 8 – 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, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated 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 Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The Academy's contributions for fiscal years ended June 30, 2011, 2010 and 2009 were $143, $109 and $105, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was $96.40 for most participants, but could be as high as $369.10 per month depending on their income. SERS' reimbursement to retirees was $45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76 percent. The Academy's contributions for the year ended June 30, 2011, 2010 and 2009 were $22, $52 and $73, respectively, which equaled the required contributions for the year.

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions for the years ended June 30, 2011, 2010 and 2009 were $42, $31 and $406, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 9 - 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 of the Academy. 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, 2011.

NOTE 9 – CONTINGENCIES (Continued)

B. Full-Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. During fiscal year 2011, the Academy received $246 from the State through their foundation revenues for an underpayment from fiscal year 2010. The fiscal year 2011 reviews have not been completed at this time.

NOTE 10 – RELATED PARTY TRANSACTION

For the period July 1, 2010 through June 30, 2011 the Academy paid expenses of $7,656 to their sponsor.

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INDEPENDENT AUDITOR'S 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

To the Board of Directors
Rittman Academy
100 Saurer Street
Rittman, Ohio 44270

We have audited the financial statements of the business-type activities of the Rittman Academy as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. 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 Control over Financial Reporting

Management of the Academy is responsible for establishing and maintaining effective internal control 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 opinion 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 *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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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 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*.

We noted certain matters that we reported to management of the Rittman Academy in a separate letter dated October 7, 2011.

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

Rea & Associates, Inc.

October 7, 2011

Rea & Associates, Inc.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 7, 2011

Board of Directors
Rittman Academy
100 Saurer Street
Rittman, OH 44270

To the Board of Directors:

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

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

1. We noted the Academy did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

Rea & Associates, Inc.

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
DECEMBER 8, 2011