



Dave Yost • Auditor of State

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Romig Road Community School
Summit County
2405 Romig Road
Akron, Ohio 44320

To the Board of Directors:

We have audited the accompanying basic financial statements of the Romig Road Community School, Summit County, Ohio, (the School), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Romig Road Community School, Summit County, Ohio, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15 to the financial statements, the School is experiencing certain financial difficulties and has a net asset deficiency of \$244,203. Management's plans in regard to this matter are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, on our consideration of the School'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. 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 the 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Federal Awards Receipts and Expenditures Schedule was subject 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.



Dave Yost
Auditor of State

March 11, 2011

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The discussion and analysis of the Romig Road Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets were a deficit of \$244,203 at June 30, 2010.
- The School had operating revenues of \$3,547,782, operating expenses of \$5,063,399 and non-operating revenues and expenses of \$1,548,695 and \$26,098, respectively, for fiscal year 2010.

Using these 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 School's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The table below provides a comparative analysis of fiscal years 2010 and 2009:

Net Assets		
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets	\$ <u>125,576</u>	\$ <u>101,192</u>
Total assets	<u>125,576</u>	<u>101,192</u>
<u>Liabilities</u>		
Current liabilities	124,089	102,783
Long-term liabilities	<u>245,690</u>	<u>249,592</u>
Total liabilities	<u>369,779</u>	<u>352,375</u>
<u>Net Assets</u>		
Unrestricted (deficit)	<u>(244,203)</u>	<u>(251,183)</u>
Total net assets (deficit)	<u>\$ (244,203)</u>	<u>\$ (251,183)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School's net assets totaled a deficit of \$244,203.

Current assets represent cash and intergovernmental receivables. Current liabilities of \$124,089 represent accounts payable for professional services. The long-term liabilities amount represents the amount due to Imagine Schools, Inc. at fiscal year-end for the Development Allocation fee (see Note 6 to the financial statements for detail).

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The table below shows the changes in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	<u>2010</u>	<u>2009</u>
<u>Operating Revenues:</u>		
Sales	\$ 12,198	\$ 1,421
State foundation	3,535,584	3,190,566
Other	<u>-</u>	<u>1,025</u>
Total operating revenue	<u>3,547,782</u>	<u>3,193,012</u>
<u>Operating Expenses:</u>		
Purchased services	5,063,105	4,427,380
Other	<u>294</u>	<u>80</u>
Total operating expenses	<u>5,063,399</u>	<u>4,427,460</u>
<u>Non-operating Revenues (Expenses):</u>		
Federal and state grants	1,548,695	1,222,295
Interest expense	<u>(26,098)</u>	<u>(2,092)</u>
Total non-operating revenues (expenses)	<u>1,522,597</u>	<u>1,220,203</u>
Change in net assets	6,980	(14,245)
Net assets (deficit) at beginning of year	<u>(251,183)</u>	<u>(236,938)</u>
Net assets (deficit) at end of year	<u>\$ (244,203)</u>	<u>\$ (251,183)</u>

Sales, state foundation revenue and overall operating expenses increased as a result of increased enrollment from 452 students in fiscal year 2009 to 537 students in fiscal year 2010. The School received Federal grants through the American Recovery and Reinvestment Act (ARRA) during fiscal year 2010, which helped to offset the loss of Federal start-up grant program funds. The School received approximately \$471,000 in ARRA grants during fiscal year 2010.

Debt

At June 30, 2010, the School had \$245,690 in a related party contracts payable which is reported as a long-term liability. See Note 6 to the basic financial statements for more detail.

Capital Assets

The School had no capital assets over the threshold to report at June 30, 2010.

Restrictions and Other Limitations

The future stability of the School is not without challenges. The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Current Financial Related Activities

The School is sponsored by The Ohio Council of Community Schools. The School is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the School's students, the School will apply resources to best meet the needs of its students. It is the intent of the School to apply for other State and Federal funds that are made available to finance its operations.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Mark Paprocki, Treasurer, Charter School Specialists, 2405 Romig Road, Akron, Ohio 44320.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:

Current assets:

Cash \$ 82

Receivables:

Intergovernmental 125,494

Total assets 125,576

Liabilities:

Current liabilities:

Accounts payable 124,089

Total current liabilities 124,089

Long-term liabilities:

Due within one year 4,334

Due in more than one year 241,356

Total long-term liabilities 245,690

Total liabilities 369,779

Net Assets:

Unrestricted (deficit) (244,203)

Total net assets (deficit) \$ (244,203)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
Sales.	\$ 12,198
State foundation.	<u>3,535,584</u>
Total operating revenue	<u>3,547,782</u>
 Operating expenses:	
Purchased services.	5,063,105
Other.	<u>294</u>
Total operating expenses.	<u>5,063,399</u>
 Operating loss	 <u>(1,515,617)</u>
 Non-operating revenues (expenses):	
Federal and state grants	1,548,695
Interest expense	<u>(26,098)</u>
Total non-operating revenues (expenses)	<u>1,522,597</u>
 Change in net assets	 6,980
 Net assets (deficit) at beginning of year	 <u>(251,183)</u>
Net assets (deficit) at end of year.	<u>\$ (244,203)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from sales	\$ 12,198
Cash received from state foundation	3,532,871
Cash payments for purchased services	(5,054,816)
Cash payments for other expenses	<u>(294)</u>
Net cash used in operating activities	<u>(1,510,041)</u>
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	1,540,076
Cash payments for principal retirement.	(3,902)
Cash payments for interest expense.	<u>(26,098)</u>
Net cash provided by noncapital financing activities	<u>1,510,076</u>
Net increase in cash and cash equivalents	35
Cash and cash equivalents at beginning of year	47
Cash and cash equivalents at end of year	<u><u>\$ 82</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,515,617)
Changes in assets and liabilities:	
(Increase) in intergovernmental receivables.	(15,730)
Increase in accounts payable	<u>21,306</u>
Net cash used in operating activities	<u><u>\$ (1,510,041)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Romig Road Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School specializes in providing students in grades K-5 with a challenging, effective program of study and strong moral development in a safe and nurturing learning environment. The focus is on students residing in the Akron Public School District. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved under contract with The Ohio Council of Community Schools (the "Sponsor") on March 14, 2007 for a period of five years and ending on June 30, 2012. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a Governing Board which shall consist of not less than five members. No member of the Governing Board shall serve on the Governing Boards of more than two start-up community schools at the same time. The majority of the Governing Board must be comprised of individuals from Summit County or adjacent counties. All Governing Board members must be approved by the Sponsor prior to appointment. No employee of the School shall also be a voting member of the Governing Board. The Governing 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 qualification of teachers. The Governing Board controls the School's instructional/support facility staffed by employees of the management company who provide services to 537 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the School 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 School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The School uses a single enterprise presentation. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how the School finances meet its cash flow needs.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the School is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis. Each year, on or before June 30, a revised budget shall be submitted to the Sponsor.

E. Cash

Cash received by the School is reflected as "cash" on the statement of net assets. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. The School did not have any investments during fiscal year 2010.

F. Capital Assets

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School has established a capitalization threshold of \$5,000. The School 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.

The School had no capital assets over the threshold to report at June 30, 2010.

G. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program, Special Education Program, and the Parity Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2010 school year totaled \$3,535,584.

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 School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grant revenue received during fiscal year 2010 was \$1,548,695.

I. Accrued Liabilities and Long-Term Obligations

All payables and other accrued liabilities are reported on the statement of net assets.

J. Operating Revenues and Expenses

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

K. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2010, the School has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the School.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the School.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the School's deposits was \$82 and the bank balance was \$7,217. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental receivables arising from grants and entitlements and amounts due from other governments. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
SERS refund	\$ 13,017
Federal lunch program	5,812
Title II-D	1,607
Title I	74,297
Title II-A	1,034
Title VI-B ARRA	6,720
Title I ARRA	20,294
Ohio Department of Education - FY10 enrollment and full-time equivalency adjustment	<u>2,713</u>
Total intergovernmental receivables	<u>\$ 125,494</u>

NOTE 6 - LONG-TERM LIABILITIES

On February 25, 2009, Imagine Schools, Inc. amended the operating agreement with the School. The purpose of this amendment was to amend the \$250,000 Development Allocation fee for the performance of development services by Imagine Schools, Inc. and replace it with a \$2,500 per month Development Allocation fee commencing March 1, 2009 continuing for a period of 240 months at an interest rate of 10.50%. At any time during the contract the School may elect to prepay the balance of the Development Allocation fee.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - LONG-TERM LIABILITIES - (Continued)

The School made \$3,902 and \$26,098 in principal and interest payments, respectively, on the balance of the Development Allocation fee during 2010. A long-term liability has been reported on the basic financial statements. A summary of the Development Allocation fee liability during fiscal year 2010 follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Development Allocation Fee	\$ 249,592	\$ -	\$ (3,902)	\$ 245,690	\$ 4,334

The following is a summary of the future debt requirements to maturity for the Development Allocation fee:

<u>Fiscal</u> <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,334	\$ 25,666	\$ 30,000
2012	4,813	25,187	30,000
2013	5,345	24,655	30,000
2014	5,936	24,064	30,000
2015	6,592	23,408	30,000
2016 - 2020	45,637	104,363	150,000
2021 - 2025	77,089	72,911	150,000
2026 - 2029	95,944	21,556	117,500
Total	<u>\$ 245,690</u>	<u>\$ 321,810</u>	<u>\$ 567,500</u>

NOTE 7 - PENSION PLANS

The School has contracted with Imagine Schools, Inc. to provide employee services and to pay those employees (see Note 11.B.). However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below:

A. School Employees Retirement System

Plan Description - Imagine Schools, Inc., on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$74,736, \$20,269 and \$4,580, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

A. State Teachers Retirement System

Plan Description - Imagine Schools Inc., on behalf of the School, participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. 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 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 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 - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - PENSION PLANS - (Continued)

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$180,230, \$154,540 and \$70,636, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$25,433 made by the School and \$18,167 made by the plan members.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - Imagine Schools, Inc., on behalf of the School, participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned.

Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)

The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,690, \$9,276 and \$2,090, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,444, \$1,672 and \$330, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - Imagine Schools, Inc., on behalf of the School, contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 law authorizes STRS Ohio 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,864, \$11,888 and \$5,434, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - RISK MANAGEMENT

The School 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. During fiscal year 2010, the School maintained the following coverage: general liability, automobile liability, excess/umbrella liability, crime liability, and property liability through Philadelphia Indemnity Insurance Co.; workers compensation through the Insurance Co. of the State of Pennsylvania; and school leader's liability through the National Fire Union of Pennsylvania.

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	3,000,000
Medical expenses	10,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
Products - aggregate	3,000,000
Automobile liability:	
Combined single limit - each accident	1,000,000
Excess/umbrella liability:	
Each occurrence	15,000,000
Aggregate	15,000,000
Retention	10,000
Crime liability	1,000,000
Property liability:	
Building	5,000,000
Personal property limit	300,000
Deductible/coinsurance	5,000
Coinsurance	90%
Workers compensation and employers liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000
School leader's liability:	
Directors and officers/errors and omissions	3,000,000
Retention	10,000

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - PURCHASED SERVICES

For fiscal year 2010, purchased services expenses were as follows:

Purchased services expenses:

Management fees	\$ 4,909,141
Sponsorship fees	105,986
Legal	29,570
Professional and fiscal services	<u>18,408</u>
Total	<u>\$ 5,063,105</u>

NOTE 11 - CONTRACTS

A. Sponsor Contract

The School entered into a five-year contract commencing on March 14, 2007 and continuing through June 30, 2012 with The Ohio Council of Community Schools (the "Sponsor") for its establishment. The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the School's compliance with applicable laws and the terms of the contract;
- Monitor and evaluate the academic, fiscal performance and the organization and operation of the School;
- Report annually the results of its evaluation to the Department of Education and to the parents of students enrolled in the school;
- Submit a report by November 1 of each year to the Department of Education describing the special education and related services provided by the School and the School's expenditures for those services;
- Provide technical assistance to the School in complying with applicable laws and this contract;
- Intervene as the Sponsor deems necessary in the School's operation to correct problems in the School's overall performance (including but not limited to exercising its right to place the School on probation under Ohio Revised Code Section 3314.073 or to suspend or terminate the School under Ohio Revised Code Section 3314.07 or 3314.72);
- Prepare and assist with contingency plans in the event the School experiences financial difficulties or closes before the end of the school year.

The School paid the Sponsor \$105,986 for services during fiscal year 2010.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - CONTRACTS - (Continued)

B. Management Contract

The School entered into a management contract with Imagine Schools, Inc. for management consulting services. Imagine Schools, Inc. is required to provide the following services:

- Personnel & human resources administration
- Program of instruction
- Purchasing & contracts
- Budgeting, financial reporting and audit preparation
- Compliance issues
- Curriculum research and development
- Marketing and publicity
- Equipment and facilities
- Grant preparation and management

For the services listed above, the School is required to pay a fee to Imagine Schools, Inc. The fee is equal to approximately 90% of the total per pupil allowance received from the State of Ohio and of State and/or federal grant funds received by the School for the creation and operation of its school. Payments to Imagine Schools, Inc. amounted to \$4,909,141 during fiscal year 2010, which includes \$122,781 and \$101,145 reported in accounts payable at June 30, 2010 and June 30, 2009, respectively.

C. Service Contract

The School entered into a service contract with Charter School Specialists, LLC (CSS), for a period of fourteen months commencing August 1, 2008, to provide fiscal services. The School entered into a new service contract with CSS for a period of ten months commencing on September 1, 2009 and ending on June 30, 2010, to provide fiscal services. The School paid CSS \$17,813 during fiscal year 2010 for these services.

NOTE 12 - MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2010, Imagine Schools, Inc. and its affiliates incurred the following expenses (reported on cash-basis) on behalf of the School:

<u>Expenses</u>	<u>2010</u>
Direct Expenses:	
Salaries and wages	\$ 1,602,658
Employees' benefits	932,571
Purchased services	1,427,927
Supplies and materials	265,361
Capital outlay	98,298
Other direct costs	694,931
Indirect Expenses	<u>513,540</u>
Total expenses	<u>\$ 5,535,286</u>

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - MANAGEMENT COMPANY EXPENSES - (Continued)

Overhead charges included in other direct costs are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services in the operation of the School. Such services include, but are not limited to, facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

NOTE 13 - OPERATING LEASES

The School entered into a lease agreement on July 1, 2007, with Schoolhouse Finance, LLC, to lease classroom space for the School. The term of the lease commenced July 1, 2007, and shall continue through June 30, 2022. Thereafter the lease shall automatically renew for up to two consecutive five year terms, unless written notice of intent not to extend is delivered by either party at least one hundred eighty days prior to the end of the initial term or the first renewal term. Imagine Schools, Inc., on the School's behalf, shall pay to Schoolhouse Finance, LLC \$573,852 in annual base rent payable in advance in monthly installments of one-twelfth each on the fifth day of each month of the term.

On July 1, 2008, the lease agreement was amended so that Imagine Schools, Inc., on the School's behalf, shall pay to Schoolhouse Finance, LLC \$520,739 in annual base rent.

NOTE 14 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure 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 School at June 30, 2010.

B. Ohio Department of Education Enrollment Review

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. As a result of the fiscal year 2010 reviews, the School is due \$2,713 from ODE. This amount has been reported as an intergovernmental receivable on the statement of net assets.

NOTE 15 - MANAGEMENT PLAN

The School had an operating loss of \$1,515,617 and deficit net assets of \$244,203 at June 30, 2010. Management intends to eliminate these deficits by increasing enrollment and improving operating efficiencies, in addition to paying down the Development Allocation Fee (described in Note 6). Enrollment has increased and staffing efficiencies have been realized since staffing has been utilized to the fullest.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 16 - FEDERAL TAX STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on June 22, 2009. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

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**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through the Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance:					
National School Lunch Program	10.555		\$ 10,955		\$ 10,955
Cash Assistance:					
National School Breakfast Program	10.553	\$ 124,089		\$ 95,738	
National School Lunch Program	10.555	203,189		167,104	
Total Child Nutrition Cluster		<u>327,278</u>	10,955	<u>262,842</u>	<u>10,955</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	5,608		5,608	
Fresh Fruit and Vegetable	10.582	23,188		26,888	
Total U.S. Department of Agriculture		<u>356,074</u>	10,955	<u>295,338</u>	<u>10,955</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through the Ohio Department of Education:</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	516,767		405,828	
ARRA - Title I Grants to Local Educational Agencies	84.389	179,196		151,930	
Total Title I, Part A Cluster		<u>695,963</u>		<u>557,758</u>	
Special Education Cluster (IDEA):					
Special Education--Grants to States (IDEA, Part B)	84.027	95,237		91,233	
ARRA - Special Education--Grants to States (IDEA, Part B)	84.391	42,454		39,634	
Total Special Education Cluster (IDEA)		<u>137,691</u>		<u>130,867</u>	
Safe and Drug-Free Schools and Communities - State Grants	84.186	5,095		4,990	
Charter Schools Program	84.282	-		13,701	
Education Technology State Grants	84.318	2,525		5,889	
Improving Teacher Quality State Grants	84.367	24,858		18,220	
School Improvement Grants	84.377	60,000		60,000	
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	243,808		260,842	
Total U.S. Department of Education		<u>1,169,940</u>		<u>1,052,267</u>	
Totals		<u>\$ 1,526,014</u>	<u>\$ 10,955</u>	<u>\$ 1,347,605</u>	<u>\$ 10,955</u>

The accompanying notes are an integral part of this schedule.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Romig Road Community School, Summit County, Ohio, (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

The School reports commodities consumed on the Schedule at the entitlement value. The School allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Romig Road Community School
Summit County
2405 Romig Road
Akron, Ohio 44320

To the Board of Directors:

We have audited the financial statements of Romig Road Community School, Summit County, Ohio, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 11, 2011, wherein we noted the School is experiencing financial difficulties. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 11, 2011.

We intend this report solely for the information and use of management, the Board of Directors, Ohio Council of Community Schools, federal awarding agencies, pass-through entities, and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 11, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Romig Road Community School
Summit County
2405 Romig Road
Akron, Ohio 44320

To the Board of Directors:

Compliance

We have audited the compliance of Romig Road Community School, Summit County, Ohio, (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Romig Road Community School's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the Romig Road Community School complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists this instance as Finding 2010-01.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

The School's response to the finding we identified is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's response and, accordingly, we express no opinion on it.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated March 11, 2011.

We intend this report solely for the information and use of management, the Board of Directors, Ohio Council of Community Schools, others within the School, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 11, 2011

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster CFDA #84.010 and 84.389; Child Nutrition Cluster CFDA #10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Allowable Cost & Period of Availability

Finding Number	2010-01
CFDA Title and Number	Title I, Part A Cluster CFDA #84.010 and 84.389
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND QUESTIONED COST

2 C.F.R. Appendix A to Part 225, Section C.1.i indicates, in part, to be allowable under Federal awards, costs must be the net of all applicable credits. The School received a credit in the amount of \$4,400 for ARRA Title I literacy coach services performed. However, the credit was not included in the Final Expenditure Report submitted to the Ohio Department of Education (ODE) even though this amount was received from ODE during the grant period. As a result, the total ARRA Title I final expenditures reported to ODE were overstated by \$4,400.

Furthermore, 34 C.F.R. 80.23(b) indicates, in part, a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. The School improperly included \$14,244 in Title I capital outlay expenditures liquidated more than 90 days after the end of the funding period in the 2009-2010 Final Expenditure Report submitted to ODE. This amount was received from ODE during the grant period. However, the School liquidated this amount on October 28, 2010 after the period of availability of September 30, 2010 even though they were aware of the requirement and initiated a purchase order on June 7, 2010. As a result, the total Title I final expenditures reported to ODE were overstated by \$14,244.

The overstatements identified above resulted in the Title I, Part A Cluster expenditures being overstated by a combined \$18,644, which is in excess of \$10,000 and therefore considered questioned costs under OMB Circular A133§__.510(a)(3).

The School should only include costs net of all applicable credits and costs liquidated not later than 90 days after the end of the funding period in the Final Expenditure Report submitted to ODE.

Official's Response: See Corrective Action Plan.

**ROMIG ROAD COMMUNITY SCHOOL
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-01	<p>The Business Manager will review the regulations regarding the restrictions applicable to the use of federal funds and project cash requests.</p> <p>The Business Manager will appropriately designate all advances and reimbursements by transmitting copies of checks for all reimbursements and invoices for all advances.</p> <p>The Business Manager will notify the Treasurer of any applicable credits and will liquidate all federal funds prior to September 30th of the Grant year.</p>	6/30/2011	Designated Fiscal Officer and School Business Manager

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ROMIG ROAD COMMUNITY SCHOOL

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2011**