

Rittman Academy  
Wayne County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2012





# 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, 2011 through June 30, 2012. 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.

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

Dave Yost  
Auditor of State

December 26, 2012

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**RITTMAN ACADEMY  
WAYNE COUNTY**

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November 2, 2012

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 Rittman Academy, Wayne County, Ohio (the "Academy"), a component unit of the Rittman Exempted Village School District, as of and for the year ended June 30, 2012, 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 Academy, as of June 30, 2012, 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 November 2, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Rea & Associates, Inc.*



**Rittman Academy**  
**Wayne County**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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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, 2012. 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 2012 are as follows:

- Capital assets decreased \$31,279 in fiscal year 2012.
- Total net assets increased \$1,429 in fiscal year 2012.
- Current assets increased \$32,294 in fiscal year 2012.

**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, 2012. 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.

**Rittman Academy**  
**Wayne County**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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**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 2012 compared to 2011:

**Table 1**  
Net Assets

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current Assets	\$ 316,979	\$ 284,685
Noncurrent Assets	<u>59,073</u>	<u>90,352</u>
<i>Total Assets</i>	<u>376,052</u>	<u>375,037</u>
<b>Liabilities</b>		
Current Liabilities	<u>8,776</u>	<u>9,190</u>
<b>Net Assets</b>		
Invested in Capital Assets	59,073	90,352
Restricted	0	19,642
Unrestricted	<u>308,203</u>	<u>255,853</u>
<i>Total Net Assets</i>	<u>\$ 367,276</u>	<u>\$ 365,847</u>

Total assets were \$376,052 in fiscal year 2012. The decrease of \$31,279 in capital assets is primarily due to depreciation of capital assets. The Academy did not purchase any capital assets in fiscal year 2012. The increase of \$32,294 in current assets is due to an increase in cash. This increase is due to the reduction of expenditures.

**Rittman Academy  
Wayne County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012*

**Financial Analysis**

Table 2 shows the changes in net assets for fiscal year 2012 compared 2011:

**Table 2**  
Changes in Net Assets

	<b>2012</b>	<b>2011</b>
<b>Operating Revenue</b>		
Foundation payments	\$ 198,651	\$ 215,223
Other Operating Revenues	0	3,473
<i>Total Operating Revenues</i>	198,651	218,696
 <b>Non-Operating Revenues (Expense)</b>		
State and federal grants	0	46,794
 <i>Total Revenues</i>	 198,651	 265,490
 <b>Operating Expenses:</b>		
Salaries	22,914	18,501
Fringe benefits	3,046	3,505
Purchased services	129,945	171,866
Materials and supplies	2,781	3,235
Depreciation	31,279	32,053
Other	7,257	7,751
<i>Total operating expenses</i>	197,222	236,911
<i>Operating Income</i>	1,429	28,579
 <i>Net assets, beginning of year</i>	 365,847	 337,268
 <i>Net assets, end of year</i>	 \$ 367,276	 \$ 365,847

The Statement of Revenues, Expenses and Changes in Net Assets show the cost of operating expenses and the revenues offsetting those services.

The dependence upon state foundation revenues for operating activities is apparent. The Academy's foundation revenue is 100 percent of total revenue. State sources are by far the primary support for the Rittman Academy.

The Academy did not receive any state or federal grants during fiscal year 2012. All awards were recognized in the prior year.

Purchased services decreased by \$41,921 due to the Academy changing curriculum providers.

**Rittman Academy**  
**Wayne County**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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**The Academy's Funds**

The Academy had total revenues of \$198,651 and expenses of \$197,222. The change in net assets for the fiscal year ended June 30, 2012, was an increase of \$1,429.

**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 2012, the Academy had \$59,073 (net of \$111,876 in accumulated depreciation) invested in furniture, fixtures and equipment. Table 3 shows fiscal year 2012 balances compared to 2011. More detailed information is presented in Note 4 of the notes to the basic financial statements.

**Table 3**  
**Capital Assets (Net of Depreciation)**

	<u>2012</u>	<u>2011</u>
Furniture, Fixtures and Equipment	<u>\$ 59,073</u>	<u>\$ 90,352</u>

**Debt**

The Academy did not incur any debt during the fiscal year ended June 30, 2012.

**Rittman Academy  
Wayne County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012*

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**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, 2012*

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**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 282,706
Intergovernmental Receivable	1,495
Prepaid Items	<u>32,778</u>

*Total Current Assets* 316,979

Noncurrent Assets:

Depreciable Capital Assets, Net	<u>59,073</u>
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*Total Assets* 376,052

**Liabilities**

Current Liabilities:

Intergovernmental Payable	<u>8,776</u>
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**Net Assets**

Invested in Capital Assets	59,073
Unrestricted	<u>308,203</u>

*Total Net Assets* \$ 367,276

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, 2012*

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<b>Operating Revenues</b>	
Foundation Payments	<u>\$ 198,651</u>
<b>Operating Expenses</b>	
Salaries	22,914
Fringe Benefits	3,046
Purchased Services	129,945
Materials and Supplies	2,781
Depreciation	31,279
Other	<u>7,257</u>
<i>Total Operating Expenses</i>	<u>197,222</u>
<i>Operating Income</i>	<u>1,429</u>
<i>Net Assets Beginning of Year</i>	<u>365,847</u>
<i>Net Assets End of Year</i>	<u><u>\$ 367,276</u></u>

See accompanying notes to the basic financial statements.

**Rittman Academy**  
**Wayne County**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2012

<b>Cash Flows From Operating Activities</b>	
Cash Received from State Foundation	\$ 197,839
Cash Payments for Goods and Services	(116,751)
Cash Payments for Salaries and Benefits	(24,888)
Cash Payments for Other Expenses	<u>(7,257)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>48,943</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Grants Received	<u>19,450</u>
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>19,450</u>
<i>Net Increase in Cash and Cash Equivalents</i>	68,393
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>214,313</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 282,706</u></u>
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Provided by Operating Activities</b>	
<i>Operating Income</i>	\$ 1,429
Adjustments:	
Depreciation	31,279
(Increase) Decrease Assets	
Intergovernmental Receivable	260
Prepaid Items	16,389
Increase (Decrease) in Liabilities	
Intergovernmental Payable	<u>(414)</u>
<i>Total Adjustments</i>	<u>47,514</u>
<i>Net Cash Used For Operating Activities</i>	<u><u>\$ 48,943</u></u>

See accompanying notes to the basic financial statements.



**Rittman Academy**  
**Wayne County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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 four-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.

**Rittman Academy**  
**Wayne County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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 2012.

**E. Prepaids**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

**Rittman Academy**  
**Wayne County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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 at times applies for state and federal grants (none recognized in fiscal year 2012). 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 2012.

**Rittman Academy  
Wayne County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**L. 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 2012, 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, 2012, the carrying amount of the Academy's deposits was \$282,706. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as June 30, 2012, the Academy's entire bank balance of \$289,346 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, 2012:

	Balance <u>6/30/2011</u>	Additions	Reductions	Balance <u>6/30/2012</u>
Furniture, Fixtures and Equipment	\$ 170,949	\$ 0	\$ 0	\$ 170,949
Less: Accumulated Depreciation	<u>(80,597)</u>	<u>(31,279)</u>	<u>0</u>	<u>(111,876)</u>
<i>Net Capital Assets</i>	<u>\$ 90,352</u>	<u>\$ (31,279)</u>	<u>\$ 0</u>	<u>\$ 59,073</u>

**Rittman Academy  
Wayne County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 5 – PURCHASED SERVICES**

For the year ended June 30, 2012, purchased service expenses were recognized for professional services rendered by various vendors as follows:

Tri-County Educational Service Center	\$ 92,321
NCS Pearson	16,389
Other	21,235
	<u>\$ 129,945</u>

For the year ended June 30, 2012, Rittman Academy recognized \$92,321 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 \$32,778 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, 2012, 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***

Plan Description - 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](http://www.ohsers.org) under Employers/Audit Resources.

**Rittman Academy**  
**Wayne County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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Funding Policy - 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 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to 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 Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$642, \$344 and \$871, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

***B. State Teachers Retirement System***

Plan Description - The Academy 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 publicly-available, stand-alone financial report that 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](http://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 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 qualify 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.

**Rittman Academy**  
**Wayne County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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Funding Policy - For fiscal year 2012, 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. 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 employer contributions. 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, 2012, 2011 and 2010 were \$1,950, \$1,861 and \$1,415, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

Plan Description – The Academy participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 plan 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 Ohio Revised Code Section 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 monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. 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 SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources. 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.

**Rittman Academy**  
**Wayne County**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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 2012, .55 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 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$28, \$42, and \$31, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$38, \$22, and \$52, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

***B. State Teachers Retirement System***

Plan Description - The Academy 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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$150, \$143, and \$109, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.



**Rittman Academy  
Wayne County**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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**NOTE 9 - CONTINGENCIES**

**A. Review of Statewide Attendance Data**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**B. 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, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

**C. 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 2013, the Academy will receive \$812 from the State through their foundation revenues for an underpayment from fiscal year 2012.

**NOTE 10 – RELATED PARTY TRANSACTION**

For the period July 1, 2011 through June 30, 2012 the Academy paid expenses of \$14,471 to their sponsor. Of this amount, \$8,796 was for fiscal services, \$5,227 was for educational facility costs and \$448 for other expenses.

November 2, 2012

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

**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**

We have audited the accompanying financial statements of the Rittman Academy, Wayne County, Ohio (the "Academy") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. 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 the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Academy in a separate letter dated November 2, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.*

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

November 2, 2012

Rittman Academy  
100 Saurer Street  
Rittman, Ohio 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 Rittman 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 Board amended its anti-harassment policy at its meeting on October 18, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 management, the Board of Directors, others within the entity, 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.*



# Dave Yost • Auditor of State

RITTMAN ACADEMY

WAYNE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 8, 2013