RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2012

Dave Yost • Auditor of State

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Richland Academy School of Excellence
Richland County
75 North Walnut Street
P.O. Box 1179
Mansfield, Ohio 44902

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Richland Academy School of Excellence, Richland County, Ohio, (the School) as of and for the year ended June 30, 2012, 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 the Richland Academy School of Excellence, Richland County, Ohio, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, 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.

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www.auditor.state.oh.us

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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2014

As management of the Richland Academy School of Excellence (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the School are as follows:

- Total net assets of the School increased $110,423 in fiscal year 2012. Ending net assets of the School were $309,793, compared to $199,370 at June 30, 2011.

- Total assets increased $245,370 and total liabilities increased by $134,947 from the prior fiscal year-end.

- The School's operating loss for fiscal year 2012 was $168,301 compared with an operating loss of $110,829 reported for the prior year.

Using this Annual Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and change in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity.

Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Assets

The statement of net assets and the statement of revenues, expenses and change in net assets answer the question, "How did we do financially during the fiscal year?" The statement of net assets includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and change in net assets reports the changes in net 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.

Financial Analysis

Table 1 provides a summary of the School's net assets at June 30, 2012.

Table 1
Net Assets at Year End

		2012		2011
Assets:				
Current and Other Assets	$	413,702	$	197,632
Capital Assets, Net		82,248		52,948
Total Assets		495,950		250,580
Liabilities:				
Current Liabilities		186,157		51,210
Total Liabilities		186,157		51,210
Net Assets:				
Invested in Capital Assets		82,248		52,948
Restricted		17,445		1,850
Unrestricted		210,100		144,572
Total Net Assets	$	309,793	$	199,370

Current assets increased by $216,070 from current assets reported for fiscal year 2011. The key components of this increase are an increase in cash and cash equivalents as a result of improved cash flows and an increase in the amount of federal funds that are receivable from the Ohio Department of Education at year end.

Current liabilities increased by $134,947 from current liabilities reported for fiscal year 2011. The key components of this increase are a large amount of payables at year-end, which are related to the increase in the amount of federal funds that are receivable from the Ohio Department of Education at year end.

The total net assets reported for fiscal year 2012 increased by $110,423. The information on the following page demonstrates the details of the increase.

Financial Analysis

Table 2 shows the change in net assets for the fiscal year ended June 30, 2012.

Table 2
Changes in Net Assets

	2012	2011
Operating Revenues:		
Foundation Payments	$ 562,253	$ 317,244
Charges for Services	2,194	4,755
Other Revenues	-	378
Total Operating Revenues	564,447	322,377
Operating Expenses:		
Salaries and Wages	210,406	104,783
Fringe Benefits	59,901	26,508
Purchased Services	272,952	163,068
Materials and Supplies	151,801	117,804
Depreciation	16,329	5,883
Other	21,359	15,160
Total Operating Expenses	732,748	433,206
Operating (Loss)	(168,301)	(110,829)
Nonoperating Revenues		
Federal Grant Revenue	278,184	307,149
State Grant Revenue	375	3,000
Interest in Investments	115	50
Other Nonoperating Renvene	50	-
Total Nonoperating Revenues	278,724	310,199
Change in Net Assets	110,423	199,370
Net Assets, Beginning of Year	199,370	-
Net Assets, End of the Year	$ 309,793	$ 199,370

Total revenue increased $210,595 in fiscal year 2012 compared with the prior fiscal year primarily due to the increases in State Foundation revenue associated with increased student enrollment.

Total expenses reported for fiscal year 2012 were $299,542 more than expenses reported for fiscal year 2011 primarily due to increased spending from the increase in enrollment during fiscal year 2012.

Capital Assets

At the end of fiscal year 2012, the School had $82,248 invested in furniture and equipment, an increase of $29,300 in comparison with the prior fiscal year. This increase represents the amount by which current year additions, totaling $45,629, exceeded current year depreciation, totaling $16,329. See Note 5 of the basic financial statements for additional details.

Debt

The School has no debt.

Current Financial Issues

The future financial stability of the School is not without challenges There will continue to be other challenges outside of the School's control (i.e. – the economy, the state budget). Since 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.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Richland Academy School of Excellence and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Richland Academy School of Excellence, 75 North Walnut Street, Mansfield, Ohio 44902.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

Assets:		
Current Assets		
Cash and Cash Equivalents	$	245,869
Intergovernmental Receivables		164,415
Prepaid Items		3,418
Total Current Assets		413,702
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation		82,248
Total Noncurrent Assets		82,248
Total Assets	$	495,950
Liabilities:		
Current Liabilities		
Accounts Payable	$	145,652
Accrued Wages and Benefits Payable		28,820
Intergovernmental Payable		10,971
Unearned Revenue		714
Total Current Liabilities		186,157
Total Liabilities		186,157
Net Assets:		
Invested in Capital Assets		82,248
Restricted		17,445
Unrestricted		210,100
Total Net Assets		309,793
Total Liabilities and Net Assets	$	495,950

See accompanying notes to the basic financial statements.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGE
IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating Revenues:	
Foundation Payments	$ 562,253
Charges for Services	2,194
Total Operating Revenues	564,447
Operating Expenses:	
Salaries and Wages	210,406
Fringe Benefits	59,901
Purchased Services	272,952
Materials and Supplies	151,801
Depreciation	16,329
Other	21,359
Total Operating Expenses	732,748
Operating Loss	(168,301)
Non-Operating Revenues:	
State Grant Revenue	375
Federal Grant Revenue	278,184
Interest on Investments	115
Other Revenue	50
Total Non-Operating Revenues	278,724
Change in Net Assets	110,423
Net Assets, Beginning of Year	199,370
Net Assets, End of Year	$ 309,793

See accompanying notes to the basic financial statements.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:		
Received from State of Ohio	$	561,698
Received for Other Operating Activities		2,194
Payments to Employees for Services and Benefits		(235,389)
Payments to Suppliers for Goods and Services		(345,051)
Payments to Other		(30,843)
Net Cash Used for Operating Activities		(47,391)
Cash Flows from Noncapital Financing Activities:		
Federal and State Grants		182,208
Other Non-operating Revenue		50
Net Cash Provided by Noncapital Financing Activities		182,258
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions		(5,798)
Net Cash Used for Capital and Related Financing Activities		(5,798)
Cash Flows from Investing Activities:		
Interest on Cash and Cash Equivalents		115
Net Cash Provided by Investing Activities		115
Net Increase (Decrease) in Cash and Cash Equivalents		129,184
Cash and Cash Equivalents at Beginning of Year		116,685
Cash and Cash Equivalents at End of Year	$	245,869
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(168,301)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation		16,329
Changes in Assets and Liabilities:		
Decrease in Intergovernmental Receivable		10,449
(Increase) in Prepaid Items		(3,418)
Increase in Accounts Payable		71,314
Increase in Accrued Wages		17,663
Increase in Intergovernmental Payable		8,573
Net Cash Used for Operating Activities	$	(47,391)

See accompanying notes to the basic financial statements.

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1. Description of the School and Reporting Entity:

Richland Academy School of Excellence (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in fourth through eighth grade. The School initiation date was June 29, 2010. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. 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 had one fiscal service provider during the 2012 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2012 fiscal period. The North Central Ohio Educational Service Center (NCOESC) was the School's sponsor in fiscal year 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 or terminate the contract prior to its expiration. During fiscal year 2012, the School paid NCOESC $14,562 in sponsor fees.

The School operates under the direction of the Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 1 non-certified and 7 certificated full time teaching personnel who provide services to 85 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 11.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America 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 School 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 School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School'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.

2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund 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 statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in fund net assets 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 Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds. All highly liquid investments, with purchased maturities of three months or less are considered to be cash equivalents.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of $500. Improvements are capitalized. The cost 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.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimate Life
Furniture, Fixtures, and Equipment	5 years

2. Summary of Significant Accounting Policies (Continued):

F. Estimates

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

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other. Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, comprise the non-operating revenues and expenses of the School.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

J. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages and benefits payable - salary and related payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2012 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2012.

Intergovernmental payable - payments made after year-end for the Schools' share of retirement contributions, Medicare and Workers' Compensation associated with services rendered during the fiscal year.

2. Summary of Significant Accounting Policies (Continued):

K. Unearned Revenue

If the School receives restricted funds that were not obligated by the end of the fiscal year, the amount received is classified as unearned revenue and is carried over to the next fiscal year and repaid if not spent.

L. Net Assets

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

M. Economic Dependency

The School receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

3. Deposits and Investments:

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

At June 30, 2012, the carrying amount of the School's deposits was $245,869 and the bank balance was $257,467. Of the School's bank balance, $250,000 was covered by federal deposit insurance while the remaining $7,467 was exposed to custodial risk.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2012 is as follows:

Source	**Amount**
Federal	$ 163,860
State	555
Total	$ 164,415

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

Capital Assets:	**Beginning Balance**	**Additions**	**Deletions**	**Ending Balance**
Furniture and Equipment	$ 58,831	$ 45,629	$ -	$ 104,460
Total Capital Assets	58,831	45,629	-	104,460
Less Accumulated Depreciation:				
Furniture and Equipment	(5,883)	(16,329)	-	(22,212)
Total Accumulated Depreciation	(5,883)	(16,329)	-	(22,212)
Net Capital Assets	$ 52,948	$ 29,300	$ -	$ 82,248

6. Risk Management:

A. Property and Liability

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. For the year ended June 30, 2012, the School contracted with Selective Insurance Company of the Southeast for its insurance coverage as follows:

General Liability (aggregate)	$3,000,000
General Liability (per occurrence)	$1,000,000
Employers Liability (per occurrence)	$1,000,000

There was no significant reduction in coverage during the past two years. Settlement amounts did not exceed coverage amounts during the fiscal year.

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.

C. Employee insurance Benefits

The School utilizes Anthem Blue Cross/Blue Shield to provide health insurance benefits to School employees.

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012 and 2011 were $1,951 and $1,674 respectively. The entire amount has been contributed for fiscal year 2011. For fiscal year 2012, the School has contributed 41% of the required amount. The unpaid contribution has been recorded as a liability.

B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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 toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

7. Defined Benefit Pension Plans (Continued):

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31^{st} year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

7. Defined Benefit Pension Plans (Continued):

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2012 and 2011 were $25,355 and $11,779 respectively. The entire amount has been contributed for fiscal year 2011. For fiscal year 2012, the School has contributed 68% of the required amount. The unpaid contribution has been recorded as a liability.

8. Post-employment Benefits:

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) also administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was $99.00 for most participants, but could be as high as $319.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The School's required contribution for the years ended June 30, 2012 and 2011 were $115 and $108 respectively. The entire amount has been contributed for fiscal year 2011. For fiscal year 2012, the School has contributed 41% of the required amount. The unpaid contribution has been recorded as a liability.

8. Post-employment Benefits (Continued):

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. 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. State law states that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's required contribution assigned to health care, including the surcharge, for the years ended June 30, 2012 and 2011 were $392 and $486 respectively. The entire amount has been contributed for fiscal year 2011. For fiscal year 2012, the School has contributed 41% of the required amount. The unpaid contribution has been recorded as a liability.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare Part B plans are included in its *Comprehensive Annual Financial Report.* The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost-sharing, multiple employer postemployment 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 writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

8. Post-employment Benefits (Continued):

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% of covered payroll to post-employment health care. The School's required contribution for health care for the fiscal years ended June 30, 2012 and 2011 were $1,950 and $906 respectively. The entire amount has been contributed for fiscal year 2011. For fiscal year 2012, the School has contributed 68% of the required amount. The unpaid contribution has been recorded as a liability.

9. Restricted Net Assets:

At June 30, 2012, the School reported restricted net assets totaling $17,445. The nature of the net asset restrictions are as follows:

State specific educational program grants	$	13,398
Food Services		4,047
Total	$	17,445

10. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2012, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and 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. The review of fiscal year 2012 has been performed and the School is owed $555 in additional funding as of June 30, 2012. This amount has been recorded as an intergovernmental receivable.

11. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform the following services:

1. Financial Management Services
2. Treasurer Services
3. Payroll / Payables Services
4. CCIP Budget / Federal Programs Monitoring
5. EMIS / DASL / SOES Services

The total fee paid for these services during fiscal year 2012 was $32,477.

12. Purchased Services:

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

Advertising	$	725
Professional and Technical Services		188,166
Postage		582
Meeetings		359
Telephone Service		2,091
Rentals		48,552
Contracted Fiscal Services		32,477
Total	$	272,952

13. Operating Leases:

The School entered into a one-year operating lease with Richland Academy of the Arts for the lease of a school facility. Payments during fiscal year 2012 totaled $42,000.

The School has two 48-month operating leases with MT Business Technologies for the use of copiers. Monthly payments of $181.70 began in August 2010. Payments during fiscal year 2012 totaled $2,180. Required rental payments in fiscal years 2013, 2014, and 2015 are $2,180, $2,180, and $182, respectively.

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

Richland Academy School of Excellence
Richland County
75 North Walnut Street
P.O. Box 1179
Mansfield, Ohio 44902

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Richland Academy School of Excellence, Richland County, Ohio, (the School) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199
www.auditor.state.oh.us

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2014

Dave Yost • Auditor of State

RICHLAND ACADEMY SCHOOL OF EXCELLENCE

RICHLAND 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
MAY 8, 2014