



Dave Yost • Auditor of State

**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Theodore Roosevelt Public Community School
Hamilton County
1550 Tremont Avenue
Cincinnati, Ohio 45214

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Theodore Roosevelt Public Community School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Theodore Roosevelt Public Community School, Hamilton County as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2014

Theodore Roosevelt Public Community School
Hamilton County
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

As management of the Theodore Roosevelt Public Community School (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, 2013. 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 position of the School decreased \$301,459 in fiscal year 2013. Ending net position of the School was \$377,752, compared to \$679,211 at June 30, 2012.
- Total assets decreased \$397,658 and total liabilities decreased by \$96,199 from the prior fiscal year-end.
- The School's operating loss for fiscal year 2013 was \$811,976 compared with an operating loss of \$192,226 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 position, statement of revenues, expenses and changes in net position, 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, therefore the entity wide and the fund presentation information is the same.

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position 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 position; 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 changes in net position reports the changes in net position. This change in net position 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.

Theodore Roosevelt Public Community School
 Hamilton County
 Management's Discussion and Analysis
 For the Year Ended June 30, 2013
 (Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net position for fiscal year 2013 compared to fiscal year 2012.

Table 1
Net Position at Year End

	2013	2012
Assets:		
Current and Other Assets	\$ 361,757	\$ 729,632
Capital Assets, Net	358,304	388,087
Total Assets	720,061	1,117,719
Liabilities:		
Current Liabilities	227,109	270,508
Noncurrent Liabilities	115,200	168,000
Total Liabilities	342,309	438,508
Net Position:		
Net Investment in Capital Assets	190,304	167,287
Restricted	-	174,891
Unrestricted	187,448	337,033
Total Net Position	\$ 377,752	\$ 679,211

Current and Other Assets and Restricted Net Position both decreased significantly in comparison with the prior fiscal year. The key component of these decreases is a decrease in intergovernmental receivable resulting from a start-up grant that was awarded and encumbered in fiscal year 2012, but not received and expensed until fiscal year 2013.

Total Liabilities also decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of the School making capital lease principal payments during the fiscal year.

The total net position reported for fiscal year 2013 decreased by \$301,459. The information on the following page demonstrates the details of this decrease.

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2013 compared to fiscal year 2012.

Theodore Roosevelt Public Community School
Hamilton County
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Table 2
Changes in Net Position

	2013	2012
Operating Revenues:		
Foundation Revenues	\$ 1,398,136	\$ 1,853,884
Other Unrestricted Grants-In-Aid	4,771	-
Total Operating Revenues	1,402,907	1,853,884
Operating Expenses:		
Salaries and Wages	1,034,984	997,435
Fringe Benefits	339,600	228,141
Purchased Services	597,447	638,828
Materials and Supplies	189,926	126,645
Depreciation	32,981	30,776
Other	19,945	24,285
Total Operating Expenses	2,214,883	2,046,110
Operating Loss	(811,976)	(192,226)
Nonoperating Revenues (Expenses)		
State Grants	5,519	3,792
Federal Grants	494,809	655,122
Other NonOperating Revenues	17,389	1,252
Interest Expense	(7,200)	(7,200)
Total Nonoperating Revenues (Expenses)	510,517	652,966
Change in Net Position	(301,459)	460,740
Net Position, Beginning of Year	679,211	218,471
Net Position, End of the Year	\$ 377,752	\$ 679,211

Total Operating Revenues decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in Foundation revenues as a result in a decrease in enrollment.

Federal Grants decreased significantly and Operating Expenses increased significantly in comparison with the prior fiscal year. These variances are primarily the result of a start-up grant that was awarded and encumbered in fiscal year 2012, but not expensed until fiscal year 2013.

Theodore Roosevelt Public Community School
Hamilton County
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Capital Assets

At the end of fiscal year 2013, the School had \$358,304 invested in building and furniture and equipment, a decrease of \$29,783 in comparison with the prior fiscal year. This decrease represents the amount by which current year depreciation, totaling \$32,981, exceeded current year additions, totaling \$3,198. See Note 5 of the basic financial statements for additional details.

Debt

At the end of fiscal year 2013, the School had \$168,000 in capital lease payable, a decrease of \$52,800 in comparison with the prior fiscal year. This decrease represents principal payments made during the fiscal year. For more information on this capital lease, see Note 12 to the basic financial statements.

Current Financial Issues

The School depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the School in future fiscal years due to the State's current economic environment. The School is expected to continue building fiscal health with the acquisition of the building and sustaining the current level of student enrollment.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Theodore Roosevelt Public Community School 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 Theodore Roosevelt Public Community School, 1550 Tremont Avenue, Cincinnati, Ohio 45214.

**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

Assets:	
Current Assets	
Cash and Cash Equivalents	\$ 306,816
Intergovernmental Receivables	54,941
Total Current Assets	361,757
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	358,304
Total Noncurrent Assets	358,304
Total Assets	720,061
Liabilities:	
Current Liabilities	
Accounts Payable	42,492
Accrued Wages and Benefits Payable	95,678
Intergovernmental Payable	36,139
Capital Lease Payable	52,800
Total Current Liabilities	227,109
Noncurrent Liabilities:	
Capital Lease Payable	115,200
Total Noncurrent Liabilities	115,200
Total Liabilities	342,309
Net Position:	
Net Investment in Capital Assets	190,304
Unrestricted	187,448
Total Net Position	\$ 377,752
Total Liabilities and Net Position	\$ 720,061

See accompanying notes to the basic financial statements.

**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenues:	
Foundation Payments	\$ 1,398,136
Other Unrestricted Grants-In-Aid	<u>4,771</u>
Total Operating Revenues	<u>1,402,907</u>
 Operating Expenses:	
Salaries & Wages	1,034,984
Fringe Benefits	339,600
Purchased Services	597,447
Materials and Supplies	189,926
Depreciation	32,981
Other Operating Expenses	<u>19,945</u>
Total Operating Expenses	<u>2,214,883</u>
 Operating Loss	 <u>(811,976)</u>
 Non-Operating Revenues (Expenses):	
State Grant Revenue	5,519
Federal Grant Revenue	494,809
Other Revenue	17,389
Interest Expense	<u>(7,200)</u>
Total Non-Operating Revenues (Expenses)	<u>510,517</u>
 Change in Net Position	 (301,459)
 Net Position Beginning of Year	 <u>679,211</u>
Net Position End of Year	<u><u>\$ 377,752</u></u>

See accompanying notes to the basic financial statements.

**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	\$ 1,402,907
Cash Payments to Employees for Services and Benefits	(1,402,184)
Cash Payments to Suppliers for Goods and Services	(807,547)
Cash Payments for Other Operating Costs	(19,740)
Net Cash Used for Operating Activities	<u>(826,564)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Grants	683,005
Cash Received from Donations and Contributions	17,389
Net Cash from Noncapital Financing Activities	<u>700,394</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(3,198)
Cash Payments for Principal on Loan and Capital Leases	(52,800)
Cash Payments for Interest on Loan and Capital Leases	(7,200)
Net Cash Used for Capital and Related Financing Activities	<u>(63,198)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(189,368)
Cash and Cash Equivalents at Beginning of Year	496,184
Cash and Cash Equivalents at End of Year	<u>\$ 306,816</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating (Loss)	\$ (811,976)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:	
Depreciation	32,981
Changes in Assets and Liabilities:	
Intergovernmental Receivable	(4,225)
Accounts Payable	(13,698)
Accrued Wages Payable	(31,207)
Intergovernmental Payable	1,561
Net Cash Used for Operating Activities	<u>\$ (826,564)</u>

See accompanying notes to the basic financial statements.

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THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

1. Description of the School and Reporting Entity:

Theodore Roosevelt Public Community School (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through twelfth grade. 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 2013 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2013 fiscal period. The Richland Academy was the School's sponsor in fiscal year 2013. 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.

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 22 non-certified and 31 certificated full time teaching personnel who provide services to 200 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 10.

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 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.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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 position. The difference between total assets and liabilities is defined as net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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.

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:

<u>Description</u>	<u>Estimate Life</u>
Buildings	30-50 years
Furniture, Fixtures, and Equipment	5 years

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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. The State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. The proceeds received from the State's tax on casino revenue are recognized as operating revenues in the accounting period in which they are earned. 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 and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. 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, and contributions comprise the non-operating revenues and expenses of the School.

I. Accrued Liabilities Payable

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

Wages payable - salary 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 2013 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2013.

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.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

2. Summary of Significant Accounting Policies (Continued):

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School did not have any deferred inflows of resources at fiscal year-end.

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. Net position is 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 when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. 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:

At June 30, 2013, the carrying amount of the School's deposits was \$306,816 and the bank balance was \$315,872. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$250,000 of the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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, 2013 is as follows:

<u>Federal Source</u>	<u>Amount</u>
IDEA B	\$ 10,398
Title I Sub A	269
Title I	26,593
Improving Teacher Quality	117
Food Service Reimbursements	13,339
BWC Overpayment	4,225
	<u>\$ 54,941</u>

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

Capital Assets:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Buildings	\$ 300,000	\$ -	\$ -	\$ 300,000
Furniture and Equipment	133,308	3,198	-	136,506
Total Capital Assets	<u>433,308</u>	<u>3,198</u>	<u>-</u>	<u>436,506</u>
Less Accumulated Depreciation:				
Buildings	(9,000)	(6,000)	-	(15,000)
Furniture and Equipment	(36,221)	(26,981)	-	(63,202)
Total Accumulated Depreciation	<u>(45,221)</u>	<u>(32,981)</u>	<u>-</u>	<u>(78,202)</u>
Net Capital Assets	<u>\$ 388,087</u>	<u>\$ (29,783)</u>	<u>\$ -</u>	<u>\$ 358,304</u>

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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, 2013, the School contracted with Netherlands Insurance Company for its insurance coverage as follows:

Real and Personal Property (deductible \$1,000)	\$3,440,000
General Liability (aggregate)	\$2,000,000
General Liability (per occurrence)	\$1,000,000
Employers Liability (per occurrence)	\$1,000,000

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

B. Workers' Compensation

The School pays the State Worker's 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 Superior Dental and Anthem Blue Cross Blue Shield to provide dental, health, life, accidental death and dismemberment 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 and 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. 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.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

7. Defined Benefit Pension Plans (Continued):

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, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$40,889, \$38,703, and \$21,254 respectively. The entire amount has been contributed for fiscal years 2011 and 2012. For fiscal year 2013, the School has contributed 64% 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.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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 31st 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.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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 and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The School's required contributions for pension obligations for the fiscal year ended June 30, 2013, 2012, and 2011 were \$93,971, \$89,605, and \$74,897 respectively. The entire amount has been contributed for fiscal years 2011 and 2012. For fiscal year 2013, the School has contributed 87% 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) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 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 2013, the actuarially required allocation is .74%. The School's required contribution for the year ended June 30, 2013, 2012, and 2011 were \$2,310, \$2,286, and \$1,368 respectively. The entire amount has been contributed for fiscal years 2011 and 2012. For fiscal year 2013, the School has contributed 64% of the required amount. The unpaid contribution has been recorded as a liability.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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, 2013, the health care allocation is .16%. 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 provides 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 2013, the minimum compensation level was established at \$20,525. 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 contributions assigned to health care, including the surcharge, for the year ended June 30, 2013, 2012, and 2011, were \$4,600, \$7,497, and \$5,723 respectively. The entire amount has been contributed for fiscal years 2011 and 2012. For fiscal year 2013, the School has contributed 64% 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 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

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.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal year ended June 30, 2013, 2012, and 2011 were \$7,229, \$6,893, and \$5,761 respectively. The entire amount has been contributed for fiscal years 2011 and 2012. For fiscal year 2013, the School has contributed 87% of the required amount. The unpaid contribution has been recorded as a liability.

9. Contingencies:

A. Grants and Student Attendance Data Review

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, 2013, 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 2013 has been performed. The School does not believe any adjustments will be material to the financial statements.

C. Litigation

The School is currently involved in pending litigation involving the Lease-To-Purchase Agreement described Note 12. Management expects the litigation to be resolved during fiscal year 2014.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

10. 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's term is for a twelve month period beginning July 1st and 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 School Resource Center will perform the following functions for the School:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.
2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support.
3. Basic SIS/DASL/CSADM/EMIS Services, including setup, maintenance, and input of Student and Staff data directly into the EMIS subsystem. In addition, M&A will input all school provided attendance, classroom, test scores and all other required student information into the SIS/DASL system.

The total fee paid for these services during fiscal year 2013 was \$107,405.

11. Purchased Services:

During the fiscal year ended June 30, 2013, purchased service expenses for services rendered by various vendors were as follows:

Instructional Improvement	\$ 2,000
Management Services	105,252
Data Processing Services	5,765
Professional and Technical Services	232,159
Garbage Removal and Cleaning	1,973
Rentals	9,937
Property Services	70
Meeting Expenses	1,707
Advertising	160
Utilities	72,404
Contracted Food Services	165,541
Pupil Transportation	480
Total	<u>\$ 597,447</u>

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

12. Capital Lease Payable:

The School entered into a Property Lease-To-Purchase Agreement (Agreement) for land and a school building. The lease meets the criteria of a capital lease, which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded in accordance with the terms outlined in the Agreement. The land and building have been recorded at the estimated fair market value on the date of inception of the Agreement. At fiscal year end, the Building had a book value of \$285,000 (\$15,000 accumulated depreciation) and the outstanding capital lease payable was \$168,000. During the fiscal year, the School paid \$60,000 in principal and interest.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2014	\$ 60,000
2015	60,000
2016	60,000
2017	60,000
2018	60,000
2019-2021	<u>150,000</u>
Total minimum lease payments	\$ 450,000
Less: Amount representing interest	<u>(282,000)</u>
Present value of minimum lease payments	<u>\$ 168,000</u>

The Agreement has a lease term of ten years. The Agreement contains a provision that payments beginning January 2016, through the end of the lease will escalate annually with the annual percentage increase in CPI-U (all urban consumers). The Agreement also includes a provision that the School shall have the option to purchase the land and school building at any time according to certain terms. The purchase option also outlines credits granted toward the purchase for lease payments of the School. The School Board is taking action to initiate the purchase of the building based upon the terms of the lease-purchase agreement.

Ohio Revised Code Section 3313.375 requires lease-purchase agreements to provide for a lease with a series of one-year renewable lease terms. However, the Agreement does not include this requirement.

THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

13. Change in Accounting Principle:

For fiscal year 2013, the School has implemented the following:

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the School.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the School’s fiscal year 2013 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” establishes financial accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as asset and liabilities. This change was incorporated in the School’s fiscal year 2013 financial statements; however, there was no effect on beginning net position.

**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
National School Breakfast Program	3L70	10.553	\$40,350	\$40,350
National School Lunch Program	3L60	10.555	80,981	80,981
Total Child Nutrition Cluster			<u>121,331</u>	<u>121,331</u>
Total U.S. Department of Agriculture			<u>121,331</u>	<u>121,331</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
IDEA Part B	3M20	84.027	100,192	100,000
Total Special Education Cluster			<u>100,192</u>	<u>100,000</u>
Title I Cluster:				
Title I, Consolidated	3M00	84.010	275,503	276,810
Total Title I Cluster			<u>275,503</u>	<u>276,810</u>
Education Jobs	3ET0	84.410	1,409	-
Title II-A Improving Teacher Quality	3Y60	84.367	-	117
Charter School Program (PCSP)	3T40	84.282	179,106	173,388
Total U.S. Department of Education			<u>556,210</u>	<u>550,315</u>
Total Federal Awards Expenditures			<u>\$677,541</u>	<u>\$671,646</u>

The accompanying notes are an integral part of this schedule.

**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Theodore Roosevelt Public Community School's (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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



Dave Yost • Auditor of State

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

Theodore Roosevelt Public Community School
Hamilton County
1550 Tremont Avenue
Cincinnati, Ohio 45214

To the Board of Directors:

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 Theodore Roosevelt Public Community School, Hamilton County, Ohio (the School) as of and for the year ended June 30, 2013, 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 27, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-002 to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Entity's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2014



Dave Yost • Auditor of State

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

Theodore Roosevelt Public Community School
Hamilton County
1550 Tremont Avenue
Cincinnati, Ohio 45214

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Theodore Roosevelt Public Community School's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School's major federal programs.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the Theodore Roosevelt Public Community School complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2014

**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code, Section 3313.375, provides that the board of education of a city, local exempted village, or joint vocational school district or the governing board of an educational service center or community school may enter into a lease-purchase agreement providing for the construction, enlarging, furnishing and equipping; lease; and eventual acquisition of a building or improvements to a building for any school district or educational service center purpose.

If a school district, educational service center or community school chooses to enter into a lease purchase agreement pursuant to Ohio Rev. Code Section 3313.375, the agreement must provide for a lease with a series of one-year renewable lease terms totaling not more than thirty years. Furthermore, the agreement must state that at the end of the series of lease terms; the title to the leased property shall be vested in the school district or educational service center, if all obligations of the school district, educational service center, or community school provided for in the agreement have been satisfied. The agreement may, in addition to the rental payments, require the school district, educational service center, or community school to pay the lessor a lump-sum amount as a condition of obtaining title to the leased property.

Prior to the opening of the School, the School entered into a Property Lease-to-Purchase Agreement (the Agreement) with Roger and Deborah Connors for the use of the facilities at 1550 Tremont Avenue, Cincinnati, Ohio 45214 for the School's operations. The term of the lease is set at 10 years with scheduled monthly payments beginning on or before January 1, 2011. The Agreement contains provisions that allow the School to have the option to purchase the premises at any time according to an Option Price and Option Price Credit clause. However, the Agreement's terms do not consist of a series of one year renewable lease terms as required.

The School is currently pursuing legal action to finalize the purchase of the property identified in the Agreement.

The School's Agreement with Roger and Deborah Connors should be amended to consist of a series of one year renewable lease terms as required by the above section of code.

Officials' Response:

The School met the requirements outlined in the Lease-to-Purchase Agreement for the purchase of the property in FY12. The School is pursuing legal action to finalize the purchase of the property identified in the Lease-to-Purchase Agreement, 1550 Tremont St. We anticipate the litigation to be resolved before the end of the next audit period.

FINDING NUMBER 2013-002

Noncompliance/Significant Deficiency/Finding for Recovery - Repaid Under Audit

Ohio Rev. Code, Section 3314.03(A)(6)(b), requires that the governing authority adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in 105 consecutive hours of the learning opportunities offered to the student.

The School agreed to this requirement in its sponsorship agreement, but its attendance policy does not include a procedure for automatically withdrawing a student if they fail to participate in 105 consecutive hours of learning opportunities.

During the 2012 - 2013 school year, the School offered 7 hours of instruction per day; therefore, a student who missed 15 or more consecutive days should have been withdrawn from the school.

During our review of student funding, we identified six students who missed 15 or more consecutive days and were not withdrawn from the school until a later date. This resulted in 150 days of overfunding by the Ohio Department of Education (ODE). For fiscal year 2013, ODE provided a base amount and a cost of doing business factor for weighted foundation amount for each student in attendance at the School totaling \$6,958. We divided the ODE funding amount by the 1,239 hours of learning opportunities eligible for funding times 7 hours of instruction provided per day to arrive at a daily FTE unit rate per student of \$39.31.

We multiplied the days overfunded by ODE by the daily FTE unit rate of \$39.31 to calculate ODE's overpayment to the School of \$5,897.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Theodore Roosevelt Public Community School in the amount of \$5,897 and in favor of the Ohio Department of Education.

The School repaid \$5,897 to the Ohio Department of Education while under audit.

We recommend that the School create a policy or amend the current attendance policy to include a procedure for automatically withdrawing a student if they fail to participate in 105 consecutive hours of learning opportunities. Adopting a policy can help the School to ensure that laws and regulations are followed.

Officials' Response:

The School will amend the current attendance policy to include a procedure for automatically withdrawing a student if they fail to participate in 105 consecutive hours of learning opportunities.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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**THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	ORC Section 3313.375; Lease-Purchase Agreement for the school building should consist of a series of one year renewable lease terms.	No	Repeated as finding 2013-001; the School is still in litigation regarding the purchase of the building.
2012-002	Lack of support to determine if Title I program Eligibility and Level of Effort requirements were met.	Yes	Finding No Longer Valid; the School was granted School-Wide status for FY 13.
2012-003	Direct Certification not performed for some students and required documentation was not kept to determine Income Eligibility for the Nutrition Cluster program.	Yes	

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Theodore Roosevelt Public Community School
Hamilton County
1550 Tremont Avenue
Cincinnati, Ohio 45214

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 Theodore Roosevelt Public Community School (the School) 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 School did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student by an "electronic act".

Ohio Rev. Code Section 3313.666 required the School to amend its policy by November 4, 2012.

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2014

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THEODORE ROOSEVELT PUBLIC COMMUNITY SCHOOL

HAMILTON 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
APRIL 10, 2014**