



Dave Yost • Auditor of State



**ROMIG ROAD COMMUNITY SCHOOL  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of Romig Road Community School, Summit County, Ohio, (the School) as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 respective financial position of the business-type activities of Romig Road Community School, Summit County, Ohio, as of June 30, 2012, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the financial statements, the School is experiencing certain financial difficulties and has a net asset deficiency of \$192,580. Management's plans in regard to this matter are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule provide additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditure Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 26, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

The discussion and analysis of the Romig Road Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 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 notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net assets were a deficit of \$192,580 at June 30, 2012.
- The School had operating revenues of \$3,666,210, operating expenses of \$5,498,569 and non-operating revenues and expenses of \$1,836,474 and \$21,059, respectively, for fiscal year 2012.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

The table below provides a comparative analysis of fiscal years 2012 and 2011:

	<u>2012</u>	<u>2011</u>
<b>Net Assets</b>		
<b><u>Assets</u></b>		
Current assets	\$ 245,083	\$ 398,993
Total assets	<u>245,083</u>	<u>398,993</u>
<b><u>Liabilities</u></b>		
Current liabilities	199,869	332,894
Long-term liabilities	<u>237,794</u>	<u>241,735</u>
Total liabilities	<u>437,663</u>	<u>574,629</u>
<b><u>Net Assets</u></b>		
Unrestricted (deficit)	<u>(192,580)</u>	<u>(175,636)</u>
Total net assets (deficit)	<u>\$ (192,580)</u>	<u>\$ (175,636)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the School's net assets totaled a deficit of \$192,580.

Current assets represent cash, accounts receivable, and intergovernmental receivables. The School reported an intergovernmental receivable for grants at June 30, 2012 and June 30, 2011 in the amount of \$181,481 and \$330,920, respectively. As a result of the fiscal year 2011 full-time equivalency (FTE) reviews by the Ohio Department of Education (ODE) at June 30, 2011, an additional intergovernmental receivable in the amount of \$21,667 was reported.

Current liabilities of \$199,869 and \$332,894 represent accounts payable and intergovernmental payables for professional services at June 30, 2012 and June 30, 2011, respectively. Included in current liabilities at June 30, 2012 is an intergovernmental payable in the amount of \$17,589 due to ODE as a result of the fiscal year 2012 FTE review. The long-term liabilities amount represents the amount due to Imagine Schools, Inc. at fiscal year-end for the Development Allocation fee (see Note 6 to the financial statements for detail). The School paid \$3,941 down in principal during fiscal year 2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

The table below shows the changes in net assets for fiscal years 2012 and 2011.

**Change in Net Assets**

	<u>2012</u>	<u>2011</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 3,666,210	\$ 3,416,092
Other	<u>-</u>	<u>3,340</u>
Total operating revenue	<u>3,666,210</u>	<u>3,419,432</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	4,916,912	4,510,303
Operating lease payments	568,456	509,369
Other	<u>13,201</u>	<u>21,973</u>
Total operating expenses	<u>5,498,569</u>	<u>5,041,645</u>
<b><u>Non-operating Revenues (Expenses):</u></b>		
Federal and State grants	1,836,474	1,714,325
Interest expense	<u>(21,059)</u>	<u>(23,545)</u>
Total non-operating revenues (expenses)	<u>1,815,415</u>	<u>1,690,780</u>
Change in net assets	(16,944)	68,567
Net assets (deficit) at beginning of year	<u>(175,636)</u>	<u>(244,203)</u>
Net assets (deficit) at end of year	<u><u>\$ (192,580)</u></u>	<u><u>\$ (175,636)</u></u>

State foundation revenue and overall operating expenses increased as a result of a slight increase in enrollment from 498 students in fiscal year 2011 to 503 students in fiscal year 2012. The School received Federal grant monies through the American Recovery and Reinvestment Act, School Lunch, Education Jobs, Race to the Top, IDEA Part B Special Education, Title II-D, School Improvement, Title I Disadvantaged, and Title II-A programs during fiscal year 2012.

***Debt***

At June 30, 2012, the School had \$237,794 in a related party contracts payable which is reported as a long-term liability. See Note 6 to the basic financial statements for more detail.

***Capital Assets***

The School had no capital assets over the threshold to report at June 30, 2012.

**Restrictions and Other Limitations**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

**Current Financial Related Activities**

The School is sponsored by Buckeye Community Hope Foundation. The School is reliant upon State foundation monies and Federal Sub-Grants to offer quality, educational services to students.

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

**Contacting the School's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2012

<b>Assets:</b>	
Current assets:	
Cash . . . . .	\$ 47,772
Receivables:	
Accounts . . . . .	15,830
Intergovernmental . . . . .	<u>181,481</u>
Total assets . . . . .	<u>245,083</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	143,514
Intergovernmental payable . . . . .	<u>56,355</u>
Total current liabilities . . . . .	<u>199,869</u>
Long-term liabilities:	
Due within one year . . . . .	5,207
Due in more than one year . . . . .	<u>232,587</u>
Total long-term liabilities . . . . .	<u>237,794</u>
Total liabilities . . . . .	<u>437,663</u>
 <b>Net Assets:</b>	
Unrestricted (deficit) . . . . .	<u>(192,580)</u>
Total net assets (deficit) . . . . .	<u>\$ (192,580)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 3,666,210
Total operating revenues . . . . .	<u>3,666,210</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	4,916,912
Operating lease payments. . . . .	568,456
Other . . . . .	13,201
Total operating expenses . . . . .	<u>5,498,569</u>
Operating loss . . . . .	<u>(1,832,359)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and State grants. . . . .	1,836,474
Interest expense. . . . .	(21,059)
Total non-operating revenues (expenses) . . . . .	<u>1,815,415</u>
Change in net assets . . . . .	(16,944)
<b>Net assets (deficit) at beginning of year . . . . .</b>	<u>(175,636)</u>
<b>Net assets (deficit) at end of year. . . . .</b>	<u><u>\$ (192,580)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 3,705,466
Cash payments for contractual services . . . . .	(5,078,042)
Cash payments for operating lease . . . . .	(568,456)
Cash payments for other expenses . . . . .	<u>(13,201)</u>
Net cash used in operating activities . . . . .	<u>(1,954,233)</u>
 <b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	1,980,599
Principal retirement . . . . .	(3,941)
Interest expense . . . . .	<u>(21,059)</u>
Net cash provided by noncapital financing activities. . . . .	<u>1,955,599</u>
Net increase in cash . . . . .	1,366
<b>Cash at beginning of year . . . . .</b>	<u>46,406</u>
<b>Cash at end of year. . . . .</b>	<u><u>\$ 47,772</u></u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (1,832,359)
Changes in assets and liabilities:	
(Increase) in accounts receivable . . . . .	(15,830)
Decrease in intergovernmental receivable . . . . .	21,667
(Decrease) in accounts payable. . . . .	(184,066)
Increase in intergovernmental payable. . . . .	<u>56,355</u>
Net cash used in operating activities . . . . .	<u><u>\$ (1,954,233)</u></u>

The School reported intergovernmental receivables in the amount of \$181,481 and \$330,920 at June 30, 2012 and June 30, 2011, respectively, for non-operating grants.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Romig Road Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School specializes in providing students in grades 1-6 with a challenging, effective program of study and strong moral development in a safe and nurturing learning environment. The focus is on students residing in the Akron Public School District. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved under contract with The Ohio Council of Community Schools (the "Sponsor") on March 14, 2007 for a period of five years and ending on June 30, 2012. On May 21, 2012, the School entered into a contract with a new sponsor, Buckeye Community Hope Foundation, for a period of three years effective July 1, 2012 and ending on June 30, 2015. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration.

The School operates under the direction of a Governing Board which shall consist of not less than five members. No member of the Governing Board shall serve on the Governing Boards of more than two start-up community schools at the same time. All Governing Board members must be approved by the Sponsor prior to appointment. No employee of the School shall also be a voting member of the Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Governing Board controls the School's instructional/support facility staffed by employees of the management company who provide services to 503 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

**A. Basis of Presentation**

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**B. Measurement Focus**

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

**C. Basis of Accounting**

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

**D. Budgetary Process**

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

**E. Cash**

Cash received by the School is reflected as "cash" on the statement of net assets. Unless otherwise noted, all monies received by the School are pooled and deposited in a central bank account as demand deposits. The School did not have any investments during fiscal year 2012.

**F. Capital Assets**

Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School has established a capitalization threshold of \$5,000. The School does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

The School had no capital assets over the threshold to report at June 30, 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**H. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, Special Education Program, and the Parity Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2012 school year totaled \$3,666,210.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expense requirements, in which the resources are provided to the School on a reimbursement basis. Federal and State grant revenue received during fiscal year 2012 was \$1,836,474.

**I. Accrued Liabilities and Long-Term Obligations**

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

**J. Operating Revenues and Expenses**

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

**K. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2012, the School has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

Custodial credit risk is the risk that, in the event of bank failure, the School’s deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2012, the carrying amount of the School’s deposits was \$47,772 and the bank balance was \$55,718. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**NOTE 5 - RECEIVABLES/PAYABLES**

Receivables at June 30, 2012, consisted of accounts receivable and intergovernmental receivables arising from grants and entitlements and amounts due from other governments. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

<b>Intergovernmental receivables:</b>	<u>Amount</u>
Federal lunch reimbursement	\$ 39,975
Title VI-B	6,145
Title II-D	1,149
School Improvement	79,019
Title I	8,656
Race to the Top	7,771
Education Jobs	<u>38,766</u>
Total intergovernmental receivables	<u>\$ 181,481</u>

Under the terms of the operating contract with Imagine Schools, Inc. (see Note 11.B for detail), the School has recorded accounts payable to Imagine Schools, Inc. in the amount of \$142,715 for 100 percent of any State and Federal grant monies uncollected or unpaid as of June 30, 2012.

Under the terms of the employee lease agreement with Great Western Academy (see Note 14 for detail), the School has recorded an intergovernmental payable in the amount of \$38,766, for 100 percent of any Education Jobs program grant monies uncollected or unpaid as of June 30, 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 6 - LONG-TERM LIABILITIES**

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

The School made \$3,941 and \$21,059 in principal and interest payments, respectively, on the balance of the Development Allocation fee during 2012. A long-term liability has been reported on the basic financial statements. A summary of the Development Allocation fee liability during fiscal year 2012 follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Development Allocation Fee	\$ 241,735	-	\$ (3,941)	\$ 237,794	\$ 5,207

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

<u>Fiscal</u> <u>Year Ending,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,207	\$ 24,793	\$ 30,000
2014	5,782	24,218	30,000
2015	6,421	23,579	30,000
2016	7,131	22,869	30,000
2017	7,919	22,081	30,000
2018 - 2022	54,829	95,171	150,000
2023 - 2027	92,613	57,387	150,000
2028 - 2030	57,892	7,108	65,000
Total	<u>\$ 237,794</u>	<u>\$ 277,206</u>	<u>\$ 515,000</u>

**NOTE 7 - PENSION PLANS**

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - PENSION PLANS - (Continued)**

**A. School Employees Retirement System**

Plan Description - Imagine Schools, Inc., on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$49,653, \$37,880 and \$74,736, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - Imagine Schools, Inc., on behalf of the School, participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$251,422, \$264,955 and \$180,230, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$30,531 made by the School and \$21,808 made by the plan members.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - Imagine Schools, Inc., on behalf of the School, participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 School's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,150, \$4,587 and \$2,690, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,932, \$2,438 and \$4,444, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - Imagine Schools, Inc., on behalf of the School, contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$19,340, \$20,381 and \$13,864, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School maintained the following coverage: general liability, automobile liability, excess/umbrella liability, crime liability, and property liability through Philadelphia Indemnity Insurance Co.; workers compensation through Twin City Fire Insurance Co.; and school leader's liability through the National Fire Union of Pennsylvania.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 10 - PURCHASED SERVICES**

For fiscal year 2012, purchased services expenses were as follows:

Purchased services expenses:

Management fees	\$ 4,754,169
Sponsorship fees	111,053
Legal	31,185
Professional and fiscal services	<u>20,505</u>
Total	<u>\$ 4,916,912</u>

**NOTE 11 - CONTRACTS**

**A. Sponsor Contract**

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

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

The School paid the Sponsor \$111,053 for services during fiscal year 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - CONTRACTS - (Continued)**

**B. Management Contract**

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

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

For the services listed above, the School is required to pay a fee to Imagine Schools, Inc. The fee is equal to approximately 90 percent of the total per pupil allowance received from the State of Ohio and 100 percent of State and/or Federal grant funds received by the School for the creation and operation of its school. Payments to Imagine Schools, Inc. amounted to \$4,754,169 during fiscal year 2012.

**C. Service Contract**

The School entered into a service contract for a period of twelve months, commencing on July 1, 2011 and ending on June 30, 2012, with Charter School Specialists, LLC (CSS), to provide fiscal services. The School paid CSS \$20,505 during fiscal year 2012 for these services.

**NOTE 12 - MANAGEMENT COMPANY EXPENSES**

For the fiscal year ended June 30, 2012, Imagine Schools, Inc. and its affiliates incurred the following expenses (reported on cash-basis) on behalf of the School:

<u>Expenses</u>	<u>2012</u>
Direct Expenses:	
Salaries and wages	\$ 2,095,686
Employees' benefits	882,148
Purchased services	1,326,117
Supplies and materials	190,817
Capital outlay	148,068
Other direct costs	88,279
Indirect Expenses	<u>446,703</u>
Total expenses	<u>\$ 5,177,818</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 12 - MANAGEMENT COMPANY EXPENSES - (Continued)**

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

**NOTE 13 - OPERATING LEASES**

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

On July 1, 2008, the lease agreement was amended so the School shall pay to Schoolhouse Finance, LLC \$520,739 in annual base rent. The School paid \$568,456 to Schoolhouse Finance, LLC during fiscal year 2012.

**NOTE 14 - EMPLOYEE LEASE AGREEMENT**

The School entered into an Employee Lease Agreement with Great Western Academy on August 1, 2011, to lease employees qualified to perform on-site school services for the 2011-2012 school year. The School agreed to pay Great Western Academy an amount not to exceed the Education Jobs program funding allocation of \$209,197 for the services performed under the agreement.

**NOTE 15 - CONTINGENCIES**

**A. Grants and ADM**

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. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 15 - CONTINGENCIES - (Continued)**

**B. State Foundation Funding**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2012 reviews, the School owes ODE \$17,589. This amount has been reported as an intergovernmental payable on the statement of net assets.

**NOTE 16 - MANAGEMENT PLAN**

The School had an operating loss of \$1,832,359 and deficit net assets of \$192,580 at June 30, 2012. Management intends to eliminate these deficits by increasing enrollment and improving operating efficiencies, in addition to paying down the Development Allocation Fee (described in Note 6). Enrollment has increased and staffing efficiencies have been realized since staffing has been utilized to the fullest.

**NOTE 17 - FEDERAL TAX STATUS**

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

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ROMIG ROAD COMMUNITY SCHOOL  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	009178-3L70	10.553	\$ 128,113	\$ 128,113
National School Lunch Program	009178-3L60	10.555	<u>200,849</u>	<u>200,849</u>
Total Child Nutrition Cluster			328,962	328,962
Fresh Fruit and Vegetable	009178-3I60	10.582	<u>22,797</u>	<u>22,797</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>351,759</u></b>	<b><u>351,759</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through the Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	009178-3M00-2011	84.010	62,513	62,513
Title I Grants to Local Educational Agencies	009178-3M00-2012	84.010	<u>344,144</u>	<u>320,260</u>
Total Title I, Part A Cluster			406,657	382,773
Special Education Cluster (IDEA):				
Special Education--Grants to States (IDEA, Part B)	009178-3M00-2011	84.027	17,597	17,597
Special Education--Grants to States (IDEA, Part B)	009178-3M00-2012	84.027	<u>77,274</u>	<u>71,129</u>
Total Special Education Cluster (IDEA)			94,871	88,726
Education Technology State Grants	009178-3S20-2012	84.318	2,553	3,702
Education Job	009178-3ET0-2012	84.410	159,648	159,648
Improving Teacher Quality State Grants	009178-3Y60-2011	84.367	751	751
Improving Teacher Quality State Grants	009178-3Y60-2012	84.367	<u>6,448</u>	<u>6,448</u>
Total Improving Teacher Quality State Grants			7,199	7,199
ARRA - School Improvement Grant	009178-3DPO-2012	84.388	804,986	829,177
ARRA - Race to the Top	009178-3FD0-2011	84.395	8,000	8,000
ARRA - Race to the Top	009178-3FD0-2012	84.395	<u>137,819</u>	<u>131,237</u>
Total ARRA - Race to the Top			145,819	139,237
<b>Total U.S. Department of Education</b>			<b><u>1,621,733</u></b>	<b><u>1,610,462</u></b>
<b>Totals</b>			<b><u>\$ 1,973,492</u></b>	<b><u>\$ 1,962,221</u></b>

The accompanying notes are an integral part of this schedule.

**ROMIG ROAD COMMUNITY SCHOOL  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the basic financial statements of Romig Road Community School, Summit County, Ohio, (the School) as of and for the year ended June 30, 2012, and have issued our report thereon dated February 26, 2013, wherein we noted the School is experiencing financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

Romig Road Community School  
Summit County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 26, 2013.

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

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

**Dave Yost**  
Auditor of State

February 26, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

### Compliance

We have audited the compliance of Romig Road Community School, Summit County, Ohio, (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the Romig Road Community School complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated February 26, 2013.

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



**Dave Yost**  
Auditor of State

February 26, 2013

**ROMIG ROAD COMMUNITY SCHOOL  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA School Improvement Grant CFDA #84.388; Education Job CFDA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

ROMIG ROAD COMMUNITY SCHOOL

SUMMIT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 12, 2013