



Dave Yost • Auditor of State

**RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Richland Academy School of Excellence, Richland County, Ohio, (the School) as of and for the year ended June 30, 2014, 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 Richland Academy School of Excellence, Richland County, Ohio, as of June 30, 2014, and the respective changes in its financial position and cash flows thereof 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2016, 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

May 3, 2016

Richland Academy School of Excellence
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

As management of the Richland Academy School of Excellence (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. 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 increased \$227,277 in fiscal year 2014. Ending net position of the School was \$695,586, compared to \$468,309 at June 30, 2013.
- Total assets increased \$210,303 and total liabilities decreased by \$16,974 from the prior fiscal year-end.
- The School's operating loss for fiscal year 2014 was \$92,812 compared with an operating loss of \$54,039 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.

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

The statement of net position and the statement of revenues, expenses and change 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 change 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.

Richland Academy School of Excellence
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net position at June 30, 2014 compared to the prior fiscal year.

Table 1
Net Position at Year End

	2014	2013
Assets:		
Current and Other Assets	\$ 725,845	\$ 515,318
Capital Assets, Net	76,166	76,390
Total Assets	802,011	591,708
Liabilities:		
Current Liabilities	106,425	123,399
Total Liabilities	106,425	123,399
Net Position:		
Net Investment in Capital Assets	76,166	76,390
Restricted	52,452	19,948
Unrestricted	566,968	371,971
Total Net Position	\$ 695,586	\$ 468,309

Current assets increased by \$210,527 from current assets reported for fiscal year 2013. The key component of this increase is an increase in cash and cash equivalents of \$206,090 as a result of improved operating conditions.

Current liabilities decreased by \$16,974 from current liabilities reported for fiscal year 2013. The key component of this decrease is a large reduction in accounts payable at year-end, which is related to a decrease in the amount of purchased service expenditures payable at year-end.

The total net position reported for fiscal year 2014 increased by \$227,277. The information on the following page demonstrates the details of the increase.

Richland Academy School of Excellence
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2014 compared to the prior fiscal year.

Table 2
Changes in Net Position

	2014	2013
Operating Revenues:		
Foundation Payments	\$ 1,285,505	\$ 1,080,752
Other Unrestricted Grants-In-Aid	27,099	3,563
Charges for Services	3,935	4,436
Total Operating Revenues	1,316,539	1,088,751
Operating Expenses:		
Salaries and Wages	642,997	428,351
Fringe Benefits	164,823	122,198
Purchased Services	437,574	456,814
Materials and Supplies	87,250	72,857
Depreciation	25,566	22,563
Other	51,141	40,007
Total Operating Expenses	1,409,351	1,142,790
Operating (Loss)	(92,812)	(54,039)
Nonoperating Revenues		
Federal Grant Revenue	231,688	207,562
State Grant Revenue	87,168	4,839
Interest in Investments	253	129
Other Nonoperating Revenue	980	25
Total Nonoperating Revenues	320,089	212,555
Change in Net Position	227,277	158,516
Net Position, Beginning of Year	468,309	309,793
Net Position, End of the Year	\$ 695,586	\$ 468,309

Total revenue increased \$335,322 in fiscal year 2014 compared with the prior fiscal year primarily due to the increases in State Foundation revenue associated with increased student enrollment of 38 students.

Total expenses reported for fiscal year 2014 were \$266,561 more than expenses reported for fiscal year 2013 primarily due to increased spending from the increase in enrollment during fiscal year 2014.

Richland Academy School of Excellence
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(Unaudited)

Capital Assets

At the end of fiscal year 2014, the School had \$76,166 invested in furniture and equipment and leasehold improvements, a decrease of \$224 in comparison with the prior fiscal year. This decrease represents the amount by which current year depreciation, totaling \$25,566, exceeded current year acquisitions, totaling \$25,342. See Note 5 of the basic financial statements for additional details. ✓

Debt

The School has no debt.

Current Financial Issues

The future financial stability of the School is not without challenges. There will continue to be other challenges outside of the School's control (i.e. – the economy, the state budget). Since the primary source of funding is the state foundation program, an economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

Contacting the School

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

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

Assets:

Current Assets	
Cash and Cash Equivalents	\$ 693,526
Intergovernmental Receivables	24,109
Prepaid Items	<u>8,210</u>
Total Current Assets	<u>725,845</u>
 Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>76,166</u>
Total Noncurrent Assets	<u>76,166</u>
 Total Assets	<u><u>\$ 802,011</u></u>
 Liabilities:	
Current Liabilities	
Accounts Payable	\$ 14,406
Accrued Wages and Benefits Payable	72,124
Intergovernmental Payable	<u>19,895</u>
Total Current Liabilities	<u>106,425</u>
 Total Liabilities	<u>106,425</u>
 Net Position:	
Net Investment in Capital Assets	76,166
Restricted	52,452
Unrestricted	<u>566,968</u>
Total Net Position	<u>695,586</u>
 Total Liabilities and Net Position	<u><u>\$ 802,011</u></u>

See accompanying notes to the basic financial statements.

**RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating Revenues:	
Foundation Payments	\$ 1,285,505
Other Unrestricted Grants-In-Aid	27,099
Charges for Services	3,935
Total Operating Revenues	1,316,539
 Operating Expenses:	
Salaries and Wages	642,997
Fringe Benefits	164,823
Purchased Services	437,574
Materials and Supplies	87,250
Depreciation	25,566
Other	51,141
Total Operating Expenses	1,409,351
Operating Loss	(92,812)
 Non-Operating Revenues:	
State Grant Revenue	87,168
Federal Grant Revenue	231,688
Interest on Investments	253
Other Revenue	980
Total Non-Operating Revenues	320,089
Change in Net Position	227,277
Net Position, Beginning of Year	468,309
Net Position, End of Year	\$ 695,586

See accompanying notes to the basic financial statements.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities:	
Received from State of Ohio	\$ 1,312,604
Received for Other Operating Activities	3,935
Payments to Employees for Services and Benefits	(817,875)
Payments to Suppliers for Goods and Services	(538,947)
Payments to Other	<u>(59,591)</u>
Net Cash Used for Operating Activities	<u>(99,874)</u>
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants	330,073
Other Non-operating Revenue	<u>980</u>
Net Cash Provided by Noncapital Financing Activities	<u>331,053</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	<u>(25,342)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(25,342)</u>
Cash Flows from Investing Activities:	
Interest on Cash and Cash Equivalents	<u>253</u>
Net Cash Provided by Investing Activities	<u>253</u>
Net Increase in Cash and Cash Equivalents	206,090
Cash and Cash Equivalents at Beginning of Year	<u>487,436</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 693,526</u></u>

See accompanying notes to the basic financial statements.

**RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (92,812)
Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	25,566
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(7,799)
Increase in Prepaid Items	(7,855)
Decrease in Accounts Payable	(15,462)
Increase in Accrued Wages	5,129
Decrease in Intergovernmental Payable	(6,641)
Net Cash Used for Operating Activities	<u>\$ (99,874)</u>

See accompanying notes to the basic financial statements.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

1. Description of the School and Reporting Entity:

Richland Academy School of Excellence (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eighth grade. The School initiation date was June 29, 2010. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2014 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2014 fiscal period. The North Central Ohio Educational Service Center (NCOESC) was the School's sponsor in fiscal year 2014. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. During fiscal year 2014, the School paid NCOESC \$41,016 in sponsor fees.

The School operates under the direction of the Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 6 non-certified and 20 certificated full time teaching personnel who provide services to 196 students.

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

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

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 are 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 net total 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. All highly liquid investments, with purchased maturities of three months or less are considered to be cash equivalents.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

2. Summary of Significant Accounting Policies (Continued):

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>
Leasehold Improvements	25 years
Furniture, Fixtures, and Equipment	5 years

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, comprise the non-operating revenues and expenses of the School.

I. Prepaid Items

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

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

2. Summary of Significant Accounting Policies (Continued):

J. 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 and benefits payable - salary and related payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2014 contract.

Accounts payable - payments due for services or goods that were rendered or received during fiscal year 2014.

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.

K. 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 statements of financial position 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 and will not be recognized as an inflow of resources (revenue) until that time. The School had no deferred inflows of resources as of fiscal year end.

L. 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

M. Economic Dependency

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

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

3. Deposits and Investments:

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

At June 30, 2014, the carrying amount of the School's deposits was \$693,526 and the bank balance was \$708,120. Of the School's bank balance, \$685,736 was covered by federal deposit insurance while the remaining \$22,384 was exposed to custodial risk.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2014 is as follows:

<u>Source</u>	<u>Amount</u>
STRS Overfunded	\$ 7,799
Federal	16,310
	<u>\$ 24,109</u>

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets:				
Leasehold Improvements	\$ -	\$ 14,737	\$ -	\$ 14,737
Furniture and Equipment	121,165	10,605	-	131,770
Total Capital Assets	<u>121,165</u>	<u>25,342</u>	<u>-</u>	<u>146,507</u>
Less Accumulated Depreciation:				
Leasehold Improvements	-	(273)	-	(273)
Furniture and Equipment	(44,775)	(25,293)	-	(70,068)
Total Accumulated Depreciation	<u>(44,775)</u>	<u>(25,566)</u>	<u>-</u>	<u>(70,341)</u>
Net Capital Assets	<u>\$ 76,390</u>	<u>\$ (224)</u>	<u>\$ -</u>	<u>\$ 76,166</u>

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

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, 2014, the School contracted with Selective Insurance Company of the Southeast for its insurance coverage as follows:

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

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

- B. Workers' Compensation - The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.
- C. Employee insurance Benefits - The School utilizes Anthem Blue Cross/Blue Shield to provide health insurance benefits to School employees.

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$8,898, \$4,203 and \$1,951 respectively. The entire amount has been contributed for fiscal years 2012 and 2013. For fiscal year 2014, the School has contributed 17% of the required amount. The unpaid contribution has been recorded as a liability.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

7. Defined Benefit Pension Plans (Continued):

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 11% 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.

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.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

7. Defined Benefit Pension Plans (Continued):

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.

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.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

7. Defined Benefit Pension Plans (Continued):

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 11% for members and 14% for employers. Contribution requirements for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$76,571, \$58,404, and \$25,355 respectively. The entire amount has been contributed for fiscal years 2012 and 2013. For fiscal year 2014, the School has contributed 99% of the required amount. The unpaid contribution has been recorded as a liability.

8. Post-employment Benefits:

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 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 2014, the actuarially required allocation is .76%. The School's required contribution for the years ended June 30, 2014, 2013, and 2012 were \$516, \$237, and \$115 respectively. The entire amount has been contributed for fiscal years 2012 and 2013. For fiscal year 2014, the School has contributed 17% of the required amount. The unpaid contribution has been recorded as a liability.

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.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

8. Post-employment Benefits (Continued):

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, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law states that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's required contribution assigned to health care, including the surcharge, for the years ended June 30, 2014, 2013, and 2012 were \$961, \$491, and \$392 respectively. The entire amount has been contributed for fiscal years 2012 and 2013. For fiscal year 2014, the School has contributed 17% of the required amount. The unpaid contribution has been recorded as a liability.

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

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
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Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

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 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School’s required contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,890, \$4,493, and \$1,950 respectively. The entire amount has been contributed for fiscal years 2012 and 2013. For fiscal year 2014, the School has contributed 99% of the required amount. The unpaid contribution has been recorded as a liability.

9. Restricted Net Position:

At June 30, 2014, the School reported restricted net position totaling \$52,452. The nature of the net position restriction is as follows:

Food Services	\$ 48,965
IDEA-B	3,487
Total	<u>\$ 52,452</u>

10. Contingencies:

Grants - The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2014, 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.

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

11. Contracted Fiscal Services:

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

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

The total fee paid for these services during fiscal year 2014 was \$79,303.

12. Operating Leases:

During fiscal year 2011 the School entered into two 48-month operating leases with MT Business Technologies for the use of copiers. Monthly payments of \$181.70 began in August 2010. Payments during fiscal year 2014 totaled \$2,180. Required rental payments in fiscal years 2015 are \$182. During fiscal year 2013 the School entered into a 48-month operating lease with MT Business Technologies for the use of a copier. Monthly payments of \$311.76 began in August 2012 and totaled \$3,741 for the fiscal year ended June 30, 2014. Required rental payments in fiscal years 2015 and 2016 are \$3,741, and \$3,741 respectively.

The School entered into a one-year operating lease with Richland Academy of the Arts for the lease of a school facility. Payments during fiscal year 2014 totaled \$65,000.

13. Purchased Services:

During the fiscal year ended June 30, 2014, purchased service expenses for services rendered by various vendors were as follows:

Advertising	\$ 3,303
Garbage Removal	2,259
Me meetings	468
Professional and Technical Services	337,984
Postage	1,380
Utilities	10,658
Rentals	81,522
Total	<u><u>\$ 437,574</u></u>

RICHLAND ACADEMY SCHOOL OF EXCELLENCE
RICHLAND COUNTY

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014
(Continued)

14. Change in Accounting Principles:

For fiscal year 2014, the School has implemented the following:

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the School.

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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*

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Richland Academy School of Excellence, Richland County, Ohio, (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 3, 2016.

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.

Compliance and Other Matters

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

Purpose of this Report

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

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

May 3, 2016



Dave Yost • Auditor of State

RICHLAND ACADEMY SCHOOL OF EXCELLENCE

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 14, 2016**