RITTMAN ACADEMY
WAYNE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RITTMAN ACADEMY
WAYNE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Rittman Academy
Wayne County
100 Saurer Street
Rittman, Ohio 44270

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Rittman Academy, Wayne County, Ohio (the Academy), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 Academy's internal control. Accordingly, we express no such 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rittman Academy, Wayne County, Ohio, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions 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 March 7, 2017, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Academy's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2017

The discussion and analysis of Rittman Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Capital assets decreased $12,435 in fiscal year 2016.
- Total net position increased $6,827 in fiscal year 2016.
- Current assets increased $21,347 in fiscal year 2016.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy as a financial whole, an entire operating entity.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the Academy did financially during the fiscal year ended June 30, 2016. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting similar to that which is used by most private sector companies. This basis of accounting considers all of the initial period revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Academy has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

The Academy reports its operations using enterprise fund accounting. All financial transactions and accounts are reported as one activity; therefore, the entity wide and fund presentations information is the same.

Reporting the Academy as a Whole

Recall the Statements of Net Position provides the perspective of the Academy as a whole.

Table 1 provides a summary of the Academy's net position for 2016 compared to 2015:

Table 1
Net Position

	2016	2015
Assets		
Current Assets	$ 433,043	$ 411,696
Noncurrent Assets	2,199	14,634
Total Assets	435,242	426,330
Deferred Outflows of Resources		
Pension	8,942	5,898
Liabilities		
Current Liabilities	8,553	5,072
Long-Term Liabilities:		
Due in More Than One Year:		
Net Pension Liability	76,318	68,892
Total Liabilities	84,871	73,964
Deferred Inflows of Resources		
Pension	6,703	12,481
Net Position		
Investment in Capital Assets	2,199	14,634
Restricted	1,208	20,715
Unrestricted	349,203	310,434
Total Net Position	$ 352,610	$ 345,783

During fiscal year 2015, the Academy adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

Total assets were $435,242 in fiscal year 2016. The decrease of $12,435 in capital assets is due to depreciation.

The increase in current liabilities is due to timing of paying Rittman Exempted Village School District for the Academy's share of building and related costs.

Financial Analysis

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

Table 2
Changes in Net Position

	2016	2015
Operating Revenue		
Foundation Payments	$ 214,860	$ 216,038
State Distributed Casino Revenues	1,649	1,642
Total Operating Revenues	216,509	217,680
Non-Operating Revenues (Expenses)		
State and Federal Grants	12,041	8,551
Unused Grant Awards	0	(15,317)
Other Non-Operating Revenue	34	0
Total Non-Operating Revenues (Expenses)	12,075	(6,766)
Total Revenues	228,584	210,914
Operating Expenses:		
Salaries	32,850	30,660
Fringe Benefits	3,788	3,618
Purchased Services	137,349	135,045
Materials and Supplies	27,351	2,307
Depreciation	12,435	14,375
Other	7,984	7,084
Total Operating Expenses	221,757	193,089
Change in Net Position	6,827	17,825
Net position, beginning of year	345,783	327,958
Net position, end of year	$ 352,610	$ 345,783

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

The dependence upon state foundation revenues for operating activities is apparent. The Academy's foundation revenue is 94 percent of total revenue. State sources are by far the primary support for the Rittman Academy.

The Academy also received $12,041 in state and federal grants during fiscal year 2016. All awards were recognized in the current year.

Total operating expenses increased $28,668 partially due to the purchase of new chromebooks and other technology.

Budget

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy. The Academy has developed a five-year projection that is reviewed periodically by the Board of Directors.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the Academy had $2,199 (net of $7,626 in accumulated depreciation) invested in furniture, fixtures and equipment. Table 3 shows fiscal year 2016 balances compared to 2015. More detailed information is presented in Note 4 of the notes to the basic financial statements.

Table 3
Capital Assets (Net of Depreciation)

	2016	2015
Furniture, Fixtures and Equipment	$ 2,199	$ 14,634

Debt

The Academy did not incur any debt during the fiscal year ended June 30, 2016.

Current Financial Related Activities

The Academy is sponsored by the Rittman Exempted Village School District with a contract that is in effect through June 30, 2018. The Academy relies on State Foundation Funds, which is driven by student enrollment. The Academy also received Federal Funds through the Comprehensive Continuous Improvement Planning application that is provided by the Ohio Department of Education.

The future of the Academy is dependent upon continued funding from the State Foundation Funds and student enrollment as no local revenue can be generated through tuition or property taxes. It is the intention of the management of the Academy to pursue other State and Federal grants as they become available.

The Academy has committed itself to providing a quality online educational opportunity to students in a school setting and has provided full time academic help for students. The Academy's curriculum is developed to help students reach graduation in a non-traditional setting. The management will aggressively pursue adequate funding to secure the financial stability of the Academy. The management will work to maintain an enrollment level that will provide financial stability to the school.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact Mark Dickerhoof, Treasurer, at Rittman Academy, 100 Saurer Street, Rittman, Ohio 44270.

Rittman Academy
Wayne County, Ohio
Statement of Net Position
June 30, 2016

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 424,195
Intergovernmental Receivable	8,848
Total Current Assets	433,043
Noncurrent Assets:	
Depreciable Capital Assets, Net	2,199
Total Assets	435,242
Deferred Outflows of Resources	
Pension	8,942
Liabilities	
Current Liabilities:	
Intergovernmental Payable	8,553
Long Term Liabilities:	
Due In More Than One Year:	
Net Pension Liability (See Note 7)	76,318
Total Liabilities	84,871
Deferred Inflows of Resources	
Pension	6,703
Net Position	
Investment in Capital Assets	2,199
Restricted for Other Purposes	1,208
Unrestricted	349,203
Total Net Position	$ 352,610

See accompanying notes to the basic financial statements.

Rittman Academy
Wayne County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating Revenues	
Foundation Payments	$ 214,860
State Distributed Casino Revenues	1,649
Total Operating Revenues	216,509
Operating Expenses	
Salaries	32,850
Fringe Benefits	3,788
Purchased Services	137,349
Materials and Supplies	27,351
Depreciation	12,435
Other	7,984
Total Operating Expenses	221,757
Operating Income (Loss)	(5,248)
Non-Operating Revenues (Expenses)	
Federal and State Grants	12,041
Other Non-Operating Revenue	34
Total Non-Operating Revenues (Expenses)	12,075
Change in Net Position	6,827
Net Position Beginning of Year	345,783
Net Position End of Year	$ 352,610

See accompanying notes to the basic financial statements.

Rittman Academy
Wayne County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Cash Flows From Operating Activities		
Cash Received from State Foundation	$	210,462
Cash Received from Casino Revenues		1,649
Cash Payments for Purchased Goods and Services		(119,668)
Cash Payments for Materials and Supplies		(27,351)
Cash Payments for Salaries and Benefits		(36,795)
Cash Payments for Other Expenses		(7,984)
Net Cash Provided by Operating Activities		20,313
Cash Flows From Non-Capital Financing Activities		
Federal and State Grants Received		26,599
Other Non-Operating Revenues		34
Net Cash Provided by Non-Capital Financing Activities		26,633
Net Increase in Cash and Cash Equivalents		46,946
Cash and Cash Equivalents Beginning of Year		377,249
Cash and Cash Equivalents End of Year	$	424,195
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$	(5,248)
Adjustments:		
Depreciation		12,435
(Increase) Decrease Assets/Deferred Outflows of Resources:		
Intergovernmental Receivable		(1,477)
Prepaid Items		12,518
Deferred Outflows - Pension		(3,044)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:		
Intergovernmental Payable		3,481
Net Pension Liability		7,426
Deferred Inflows - Pension		(5,778)
Total Adjustments		25,561
Net Cash Provided by Operating Activities	$	20,313

See accompanying notes to the basic financial statements.

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NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Rittman Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students in ninth through twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Board of Education of the Rittman Exempted Village Schools (the Sponsor) for a period of five year commencing with fiscal year July 1, 2008 through June 30, 2013. A contract authorizing continued operation of the Academy was executed in May 2013 covering the period of July 1, 2013 through June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Academy operates under a five-member Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Academy's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, with the exception of 5705.391. All other budgetary provisions are not required to be followed, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

D. Cash and Cash Equivalents

Cash held by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. The Academy had no investments in fiscal year 2016.

E. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure and does not capitalize interest costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

Depreciation of furniture, fixtures and equipment is computed using the straight-line method over estimated useful lives of three years.

G. Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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. For the Academy, deferred inflows of resources include unavailable revenue. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 7).

H. Tax Exemption Status

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy's status as an integral part of its sponsoring political subdivision, the Rittman Exempted Village Schools.

I. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position restricted for other purposes consist of grants.

J. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. In fiscal year 2016, the Academy participated in several state and federal grant programs. Revenue received from these programs is recognized as non-operating revenue in the accompanying financial statements.

K. Operating Revenues and Expenses

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

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

M. Estimates

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

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

O. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2016, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.*

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Academy.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Academy.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Academy.

NOTE 3 - DEPOSITS

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Academy's name. During fiscal year 2016, the Academy and public depositories complied with the provisions of these statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

At June 30, 2016, the carrying amount of the Academy's deposits was $424,195. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, $174,032 of the Academy's bank balance of $424,032 was exposed to custodial risk as discussed above, while $250,000 covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the Academy.

NOTE 4 - CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2016:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016
Furniture, Fixtures and Equipment	$ 43,125	$ 0	$ (33,300)	$ 9,825
Less: Accumulated Depreciation	(28,491)	(12,435)	33,300	(7,626)
Net Capital Assets	$ 14,634	$ (12,435)	$ 0	$ 2,199

NOTE 5 - PURCHASED SERVICES

For the fiscal year ended June 30, 2016, purchased service expenses were recognized for professional services rendered by various vendors as follows:

Tri-County Educational Service Center	$ 85,564
NCS Pearson	12,518
Rittman Exempted Village School District	35,357
Other	3,910
	$ 137,349

For the fiscal year ended June 30, 2016, Rittman Academy recognized $85,564 in expenses for educational services and curriculum provided by the Tri-County Educational Service Center.

The Academy paid NCS Pearson $12,518 for curriculum services for fiscal year 2016.

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. For the year ended June 30, 2016, the Academy contracted with Cincinnati Insurance Company. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been any reduction in coverage from the prior fiscal year.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term ***net pension liability*** on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in ***intergovernmental payable*** on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The Academy's contractually required contribution to SERS was $2,141 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $3,672 for fiscal year 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 63,999	$ 12,319	$ 76,318
Proportion of the Net Pension Liability	0.00023157%	0.00021590%	
Pension Expense	$ 3,694	$ 764	$ 4,458

At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS		SERS		Total	
Deferred Outflows of Resources						
Differences between expected and actual experience	$	2,927	$	202	$	3,129
Academy contributions subsequent to the measurement date		3,672		2,141		5,813
Total Deferred Outflows of Resources	$	6,599	$	2,343	$	8,942
Deferred Inflows of Resources						
Net difference between projected and actual earnings on pension plan investments	$	4,768	$	458	$	5,226
Changes in proportion and differences between Academy contributions and proportionate share of contributions		1,118		359		1,477
Total Deferred Inflows of Resources	$	5,886	$	817	$	6,703

$5,813 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS		SERS		Total	
Fiscal Year Ending June 30:						
2017	$	(1,371)	$	(280)	$	(1,651)
2018		(1,371)		(280)		(1,651)
2019		(1,370)		(279)		(1,649)
2020		1,153		224		1,377
	$	(2,959)	$	(615)	$	(3,574)

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$ 17,083	$ 12,319	$ 8,308

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return; including inflation	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$ 88,900	$ 63,999	$ 42,942

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $121 and $20, respectively; 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description - The Academy contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $278, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 9 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2016, if applicable, cannot be determined at this time.

B. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the Academy. During fiscal year 2017, the Academy will receive $2,691 from the State through their foundation payments for an overpayment from fiscal years 2015 and 2016. The $2,691 is included in intergovernmental receivable on the financial statements.

NOTE 10 - RELATED PARTY TRANSACTION

For the period July 1, 2015 through June 30, 2016 the Academy incurred expenses of $35,357 to their sponsor for educational facility costs.

NOTE 11 – SUBSEQUENT EVENTS

The Ohio Department of Education became the Academy's sponsor as of December 1, 2016.

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Rittman Academy
Wayne County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years (1)

	2015	2014	2013
State Teachers Retirement System (STRS)			
Academy's Proportion of the Net Pension Liability	0.00023157%	0.00023646%	0.00023646%
Academy's Proportionate Share of the Net Pension Liability	$ 63,999	$ 57,515	$ 68,512
Academy's Covered-Employee Payroll	$ 30,986	$ 26,015	$ 15,085
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	206.54%	221.08%	454.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)			
Academy's Proportion of the Net Pension Liability	0.00021590%	0.00022400%	0.00022400%
Academy's Proportionate Share of the Net Pension Liability	$ 12,319	$ 11,337	$ 13,321
Academy's Covered-Employee Payroll	$ 6,904	$ 6,566	$ 10,882
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	178.42%	172.67%	122.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Rittman Academy
Wayne County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Ten Fiscal Years

	2016	2015	2014	2013
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 3,672	$ 4,338	$ 3,382	$ 1,961
Contributions in Relation to the Contractually Required Contribution	(3,672)	(4,338)	(3,382)	(1,961)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
Academy's Covered-Employee Payroll	$ 26,229	$ 30,986	$ 26,015	$ 15,085
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 2,141	$ 910	$ 910	$ 1,506
Contributions in Relation to the Contractually Required Contribution	(2,141)	(910)	(910)	(1,506)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
Academy's Covered-Employee Payroll	$ 15,293	$ 6,904	$ 6,566	$ 10,882
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.

2012	2011	2010	2009	2008	2007
$ 1,950	$ 1,861	$ 1,415	$ 1,359	$ 680	$ 3,301
(1,950)	(1,861)	(1,415)	(1,359)	(680)	(3,301)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 15,000	$ 14,315	$ 10,885	$ 10,454	$ 5,231	$ 25,392
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$ 680	$ 366	$ 923	$ 961	$ 3,511	n/a
(680)	(366)	(923)	(961)	(3,511)	n/a
$ 0	$ 0	$ 0	$ 0	$ 0	n/a
$ 5,056	$ 2,912	$ 6,817	$ 9,766	$ 35,754	n/a
13.45%	12.57%	13.54%	9.84%	9.82%	n/a

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

Rittman Academy
Wayne County
100 Saurer Street
Rittman, Ohio 44270

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Rittman Academy, Wayne County, Ohio, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 7, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy'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 Academy'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 Academy'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

Academy's Responses to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2017

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Financial Statement Presentation – Material Weakness

The compilation and presentation of materially correct financial statements and related footnotes is the responsibility of management of the Academy. This responsibility remains intact, even if management out sources this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that the accountant or consultant are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

- During fiscal year 2016, $21,976 was improperly included as an intergovernmental payable. An adjustment to reduce the intergovernmental payable and purchased services expense was made to the financial statements to correct the error.

- During fiscal year 2016, $4,699 was improperly included as an intergovernmental receivable. An adjustment to reduce the intergovernmental receivable and Federal and State Grants receipt line item was made to the financial statements to correct the error.

Errors to the financial statements do not allow management to properly review and monitor the Academy's activities.

We recommend the Academy implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-002

Educational Hours – Noncompliance

Ohio Rev. Code § 3314.03(A)(11)(a) states in part that "Each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with the following requirements: The school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty hours per school year."

Ohio Rev. Code § 3301.079(K)(1) defines "Blended Learning" as the delivery of instruction in a combination of time in a supervised physical location away from home and online delivery whereby the student has some element of control over time, place, path, or pace of learning.

The Rittman Academy Community School Contract Article III, Responsibilities of the Governing Authority, states "In accordance with the ORC section 3314.03(A)(11)(a), the School shall provide learning opportunities to a minimum of 25 students for nine hundred twenty (920) hours per school year." In addition, Article III, Section A, Educational Plan, states "the Governing Authority agrees to comply with the policies and procedures described in the educational plan of the School in accordance with 3314.08(L)(2) Ohio Revised Code, including but not limited to: a description of the learning opportunities that will be offered to students including both classroom-based and non-classroom based learning opportunities." Further, Exhibit 1: Educational Plan, Section II, Type of School, of the Community School Contract, states "The School students will have both classroom based and non-classroom based learning opportunities in compliance with ORC 3314.031(B). Students of this program will have a minimum attendance requirement at a facility where they will have provided services of instruction and technical support from a certified teacher and a lab assistant."

The contract with the sponsor does comply with the requirements of Ohio Rev. Code § 3314.03(A)(11)(a). However, it was noted that although the Academy is open 6 hours a day for 154 days (for a total of 924 hours), the students are only required to be there for 2 or 3 hours per day or until 2 modules are completed. Therefore students are only required to attend school for 308 to 462 hours per year which does not meet the 920 hour requirement. No other documentation was available to support the FTE reported to the Ohio Department of Education. In addition, the Community School contract mentions both classroom and non-classroom based learning opportunities, but no non-classroom learning opportunities appear to be tracked to account for the additional hours necessary to meet the 920 hours.

Failure of the Academy to require the minimum number hours of attendance could result in students not receiving credit for attending the Academy and could impact the foundation receipts based on attendance.

The Ohio Department of Education became the Sponsor of the Academy as of December 1, 2016. As a result, the Academy is in the process of making changes that would require the students to attend the full day in a Brick and Mortar setting.

The Academy should continue to work the Sponsor, the Ohio Department of Education, to ensure the minimum 920 hours per year are being met. In addition, the Academy and Sponsor should consider amending the Community School contract to clearly indicate the learning opportunities that are provided by the Academy and to ensure the Academy is a Brick and Mortar school and not a Blended Learning environment.

RITTMAN ACADEMY
WAYNE COUNTY

CORRECTIVE ACTION PLAN
JUNE 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Academy places a high importance on proper financial reporting. The Academy will review the procedures in place to review financial statements and footnotes to see where improvements can be made to prevent or detect and timely correct potential misstatements.	Fiscal Year 2017 financial report	Mark Dickerhoof, Treasurer
2016-002	The Academy is working with the Ohio Department of Education as a sponsor to ensure that the proper educational hours are being offered and FTEs are properly recorded. The Academy is dedicated to provide a non-traditional educational experience and will work to ensure compliance with the requirements set forth in the Ohio Revised Code. The Rittman Academy experience takes place both in and out of the classroom. In order to show adequate academic progress, daily attendance is required. It is the expectation that Rittman Academy Students attend every day that school is in session. If a student is not in attendance and a parent/guardian has not called them off, a member of the Rittman Academy staff will make a phone call to the home to inquire why the student is not present. Student absences are categorized as either excused or unexcused. The Rittman Academy student/parent handbook defines consequences for chronic unexcused absences. It is the expectation that students will be in attendance during the hours that the school is open.	As soon as possible	Kent Smith, Director

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Dave Yost · Auditor of State

RITTMAN ACADEMY

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 4, 2017

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