



Mary Taylor, CPA
Auditor of State

RITTMAN ACADEMY
WAYNE COUNTY

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Rittman Academy
Wayne County
75 North Main Street
Rittman, Ohio 44270

To the Board of Directors:

We have audited the accompanying basic financial statements of the Rittman Academy, Wayne County, Ohio, (the Academy) a component unit of Rittman Exempted Village School District, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rittman Academy, Wayne County, Ohio, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 3, 2009

Rittman Academy
Wayne County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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, 2008 and the fifteen months ended June 30, 2007. 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 financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Total net assets increased \$72,218 in the fiscal period 2008.
- Total assets increased \$96,487 in fiscal period 2008.
- Total liabilities increased \$24,269 in the fiscal period 2008.

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 assets and the statement of revenues, expenses, and changes in net assets reflect how the Academy did financially during the fiscal period ended June 30, 2008. These statements include all assets and liabilities 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 assets and changes in those assets. This change in net assets 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.

Rittman Academy
Wayne County

Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Reporting the Academy as a Whole

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

Table 1 provides a summary of the Academy's net assets for 2008 compared to 2007:

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$ 279,175	\$ 173,223
Capital Assets	<u>31,639</u>	<u>41,104</u>
<i>Total Assets</i>	<u>310,814</u>	<u>214,327</u>
Liabilities		
Current Liabilities	<u>24,347</u>	<u>78</u>
Net Assets		
Invested in Capital Assets	31,639	41,104
Restricted	464	0
Unrestricted	<u>254,364</u>	<u>173,145</u>
<i>Total Net Assets</i>	<u><u>\$ 286,467</u></u>	<u><u>\$ 214,249</u></u>

Total assets were \$310,814 in fiscal period 2008. This increase is primarily due to increases in cash held by the Academy. Cash amounted to \$271,572 and net capital assets totaled \$31,639.

Total liabilities consisted of accounts payable and intergovernmental payables, which equaled \$1,500 and \$22,847 respectively.

**Rittman Academy
Wayne County**

*Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008*

Financial Analysis

Table 2 shows the changes in net assets for fiscal year 2008 compared to the fifteen month period ended June 30, 2007:

Table 2
Changes in Net Assets

	2008	2007
Operating Revenue		
Foundation payments	\$ 270,794	\$ 341,644
Non-Operating Revenues (Expense)		
State and federal grants	11,694	157,418
Refund of prior year expenses	0	3,950
Other non-operating expense	0	(20)
<i>Total non-operating revenues</i>	11,694	161,348
<i>Total Revenues</i>	282,488	502,992
Operating Expenses:		
Salaries	19,862	29,528
Fringe benefits	8,754	8,162
Purchased services	158,316	241,239
Materials and supplies	3,131	3,463
Depreciation	9,465	6,321
Other	10,742	30
<i>Total operating expenses</i>	210,270	288,743
<i>Net income</i>	72,218	214,249
<i>Net assets, beginning of year</i>	214,249	0
<i>Net assets, end of year</i>	\$ 286,467	\$ 214,249

The Statements of Revenues, Expenses and Changes in Net Assets show the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating revenues associated with those expenses. That is, it identifies the amount of operating expenses supported by State and other funding.

The dependence upon state foundation revenues for operating activities is apparent. All monies were used for purchase services. The Academy's operating revenue is 96 percent of total revenue. State sources are by far the primary support for the Rittman Academy.

**Rittman Academy
Wayne County**

*Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008*

The Academy's Funds

The Academy had total revenues of \$282,488 and expenses of \$210,270. The change in net assets for the fiscal year ended June 30, 2008, was an increase of \$72,218. This is a decrease from June 30, 2007 of \$214,249 and is due to a significant decrease in federal grant funding.

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 2008, the Academy had \$31,639 (net of \$15,786 in accumulated depreciation) invested in furniture, fixtures and equipment. Table 3 shows fiscal year 2008 balances compared to 2007. More detailed information is presented in Note 4 of the notes to the basic financial statements.

**Table 3
Capital Assets (Net of Depreciation)**

	<u>2008</u>	<u>2007</u>
Furniture, Fixtures and Equipment	<u>\$ 31,639</u>	<u>\$ 41,104</u>

Debt

The Academy did not incur any debt during the fiscal period ended June 30, 2008.

**Rittman Academy
Wayne County**

*Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008*

Current Financial Related Activities

The Academy is sponsored by the Rittman Exempted Village School District. The Academy relies on State Foundation Funds. 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 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 online educational opportunities to students in a school 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, 75 North Main Street, Rittman, Ohio 44270.

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Rittman Academy
Wayne County
Statement of Net Assets
June 30, 2008

	<u>2008</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 271,572
Intergovernmental Receivable	<u>7,603</u>
<i>Total Current Assets</i>	<u>279,175</u>
Noncurrent Assets:	
Depreciable Capital Assets, Net	<u>31,639</u>
<i>Total Assets</i>	<u>310,814</u>
Liabilities	
Current Liabilities:	
Accounts Payable	1,500
Intergovernmental Payable	<u>22,847</u>
<i>Total Current Liabilities</i>	<u>24,347</u>
Net Assets	
Invested in Capital Assets	31,639
Restricted for Other Purposes	464
Unrestricted	<u>254,364</u>
<i>Total Net Assets</i>	<u><u>\$ 286,467</u></u>

See accompanying notes to the basic financial statements.

Rittman Academy
Wayne County
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008

	2008
Operating Revenues	
Foundation Payments	\$ 270,794
Operating Expenses	
Salaries	19,862
Fringe Benefits	8,754
Purchased Services	158,316
Materials and Supplies	3,131
Depreciation	9,465
Other	10,742
<i>Total Operating Expenses</i>	210,270
<i>Operating Income</i>	60,524
Non-Operating Revenues	
Federal and State Grants	11,694
<i>Change in Net Assets</i>	72,218
<i>Net Assets Beginning of Year</i>	214,249
<i>Net Assets End of Year</i>	\$ 286,467

See accompanying notes to the basic financial statements.

Rittman Academy
Wayne County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008

	2008
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities	
Cash Received from State Foundation	\$ 270,794
Cash Payments for Goods and Services	(139,130)
Cash Payments for Salaries and Benefits	(26,664)
Cash Payments for Other Expenses	(10,742)
<i>Net Cash Provided by Operating Activities</i>	94,258
Cash Flows From Non-Capital Financing Activities	
Grants Received	4,091
<i>Net Increase in Cash and Cash Equivalents</i>	98,349
<i>Cash and Cash Equivalents Beginning of Year</i>	173,223
<i>Cash and Cash Equivalents End of Year</i>	\$ 271,572
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
<i>Operating Income</i>	\$ 60,524
Adjustments:	
Depreciation	9,465
Increase (Decrease) in Liabilities	
Intergovernmental Payable	22,847
Accrued Wages and Benefits	(78)
Accounts Payable	1,500
<i>Total Adjustments</i>	33,734
<i>Net Cash Provided by Operating Activities</i>	\$ 94,258

See accompanying notes to the basic financial statements.

Rittman Academy
Wayne County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 kindergarten 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 one year commencing with fiscal year July 1, 2007 through June 30, 2008. 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 seven-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.

The Academy is considered a component unit of the Rittman Exempted Village School District ("the Sponsor") for reporting purposes, in accordance with Governmental Accounting Standard Board (GASB) Statement No. 14.

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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy also has the option to apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply these FASB Statements and Interpretations. The more 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.

Rittman Academy
Wayne County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code 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 assets. 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 2008.

E. 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.

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 five years.

**Rittman Academy
Wayne County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation 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 assets are available. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets restricted for other purposes consist of grants.

I. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other 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.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

J. 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.

K. 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 Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

Rittman Academy
Wayne County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Implementation of New Accounting Policies

For the year ended June 30, 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans,*” and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers,*” to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*” and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*”

Implementation of these GASB Statements did not affect the presentation of the financial statements of the Academy.

**Rittman Academy
Wayne County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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 School District's name. During 2008, 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, 2008, the carrying amount of the Academy's deposits was \$271,572. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as June 30, 2008, \$243,003 of the Academy's bank balance of \$343,003 was exposed to custodial risk while \$100,000 was 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, 2008:

	Balance 06/30/2007	Additions	Reductions	Balance 06/30/2008
Furniture, Fixtures and Equipment	\$ 47,425	\$ 0	\$ 0	\$ 47,425
Less: Accumulated Depreciation	(6,321)	(9,465)	0	(15,786)
<i>Net Capital Assets</i>	\$ 41,104	\$ (9,465)	\$ 0	\$ 31,639

**Rittman Academy
Wayne County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 5 – PURCHASED SERVICES

For the year ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors as follows:

	<u>2008</u>
Professional Services	<u>\$ 158,316</u>

NOTE 6 – CONTRACT WITH THE TRI-COUNTY EDUCATIONAL SERVICE CENTER

For the year ended June 30, 2008, Rittman Academy paid Tri-County Educational Service Center for curriculum. The amount paid during the audit period was \$135,159.

NOTE 7 - 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. As of June 30, 2008, the Academy did not have property or liability insurance coverage. The Academy has subsequently obtained commercial insurance coverage.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report 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 Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The Retirement Board acting with advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending 2008, it was determined the employer contribution rate to pension and death benefits to be 9.16 percent. The remaining 4.84 percent of the 14 percent employer contribution rate was allocated to Health Care and Medicare B Funds. The School District’s contributions to SERS for the years ended June 30, 2008 and 2007 were \$3,275 and \$600, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

**Rittman Academy
Wayne County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy’s required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008 and 2007 were \$680 and \$3,301, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

Rittman Academy
Wayne County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 – POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (“STRS Ohio”), and to retired non-certified employees and their dependents through the School Employees Retirement System (“SERS”). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008 and 2007. The School District’s contributions for fiscal years ended June 30, 2008 and 2007 were \$52 and \$254, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; 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 2008, the actuarially required allocation was .66 percent. The School District’s contributions for the year ended June 30, 2008 and 2007 were \$236 and \$41, respectively, which equaled the required contributions for the year.

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 HMO’s, PPO’s and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**Rittman Academy
Wayne County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

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 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of the June 30, 2008 annual valuation is 13.41 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008 and 2007 were \$1,495 and \$199, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 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. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

NOTE 10 - 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

B. Full-Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations are made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review did not result in any significant adjustments to state funding for fiscal year 2008.



Mary Taylor, CPA

Auditor of State

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

Rittman Academy
Wayne County
75 North Main Street
Rittman, Ohio 44270

To the Board of Directors:

We have audited the financial statements of the Rittman Academy, Wayne County, Ohio, (the Academy) a component unit of the Rittman Exempted Village School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Academy's management in a separate letter dated February 3, 2009.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Directors, and the Rittman Academy's Sponsor (the Rittman Exempted Village School District). We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 3, 2009

**RITTMAN ACADEMY
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

FINDING NUMBER 2008-001

Noncompliance Finding

Ohio Rev. Code §3314.03(A)(11)(b) and Article III of the Community School Contract (Sponsorship Agreement) between the Academy and Rittman Exempted Village School District (the sponsor) indicates the governing authority will purchase liability insurance, or otherwise provide for the potential liability of the school.

The Academy has not purchased liability insurance since its inception.

The Academy should purchase liability insurance to ensure compliance with this Ohio Revised Code and the Academy's sponsorship agreement. Additionally, this will help protect the interests of the Academy.

Officials' Response: The Academy has subsequently obtained liability insurance.



Mary Taylor, CPA
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 7, 2009**