



Dave Yost • Auditor of State



COLLEGE HILL LEADERSHIP ACADEMY  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

College Hill Leadership Academy  
Hamilton County  
c/o Richland Academy for the Arts  
75 North Walnut Street  
Mansfield, Ohio 44902

To the Board of Directors:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

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

**Emphasis of Matter**

As described in Note 15, the School ceased operations on August 23, 2013 due to declining student enrollment.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 12, 2014

**College Hill Leadership Academy**  
Hamilton County  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013  
(Unaudited)

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As management of the College Hill Leadership Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

### **Financial Highlights**

Key financial highlights for the School are as follows:

- The net position of the School decreased \$129,223 in fiscal year 2013. Ending net position of the School was \$24,529 compared to \$153,752 at June 30, 2012.
- The School's total assets decreased by \$183,630 and total liabilities decreased by \$54,407 from the prior fiscal year end.
- The School's operating loss for fiscal year 2013 was \$319,914 compared with an operating loss of \$208,067 reported for the prior year.

### **Using this Annual Financial Report**

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information are the same.

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did we do financially during the fiscal year?" The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The statement of revenues, expenses and changes in net position reports the changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**College Hill Leadership Academy**  
 Hamilton County  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2013  
 (Unaudited)

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**Financial Analysis**

Table 1 provides a summary of the School's net position at June 30, 2013 compared with June 30, 2012.

**Table 1**  
**Net Position at Year End**

	2013	2012
Assets:		
Current and Other Assets	\$ 36,240	\$ 232,916
Capital Assets, Net	27,439	14,393
Total Assets	63,679	247,309
Liabilities:		
Current Liabilities	39,150	93,557
Total Liabilities	39,150	93,557
Net Position:		
Net Investment in Capital Assets	27,439	14,393
Restricted	-	157,486
Unrestricted	(2,910)	(18,127)
Total Net Position	\$ 24,529	\$ 153,752

Current assets decreased significantly during fiscal year 2013, primarily as a result of decreased intergovernmental receivables due to decreased federal grant funding.

The total net position reported for fiscal year 2013 decreased by \$129,223. The information on the following page demonstrates the details of the decrease.



**College Hill Leadership Academy**  
Hamilton County  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013  
(Unaudited)

**Financial Analysis**

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

**Table 2**  
**Changes in Net Position**

	2013	2012
<b>Operating Revenues:</b>		
Foundation Revenues	\$ 570,291	\$ 787,046
Other Unrestricted Grants-In-Aid	1,967	-
Total Operating Revenues	572,258	787,046
<b>Operating Expenses:</b>		
Salaries and Wages	261,430	463,739
Fringe Benefits	94,592	106,601
Purchased Services	365,811	386,090
Materials and Supplies	148,488	17,851
Depreciation	5,647	4,112
Other	16,204	16,720
Total Operating Expenses	892,172	995,113
Operating Loss	(319,914)	(208,067)
<b>Nonoperating Revenues</b>		
Federal Grants	190,621	354,885
Other Nonoperating Revenues	70	-
Total Nonoperating Revenues	190,691	354,885
Change in Net Position	(129,223)	146,817
Net Position, Beginning of Year	153,752	6,935
Net Position, End of the Year	\$ 24,529	\$ 153,752

Foundation Revenue and Operating Expenses both decreased significantly in comparison with the prior fiscal year. These decreases are the result of declining student enrollment.

Federal Grants also decreased significantly as a result of Public Charter Schools Program grant awarded in fiscal year 2012.

**College Hill Leadership Academy**  
Hamilton County  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013  
(Unaudited)

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**Capital Assets**

At fiscal year-end, the School's net capital asset balance was \$27,439, an increase of \$13,046 in comparison with the prior fiscal year. This decrease represents current additions of \$18,693 less current year depreciation of \$5,647. For more information on capital assets, see Note 5 to the basic financial statements.

**Debt**

The School has no debt outstanding at fiscal year-end.

**Known Facts of Future Significance**

The School discontinued operations in August 2013.

**Contacting the School**

This financial report is designed to provide a general overview of the finances of the College Hill Leadership Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of College Hill Leadership Academy, 6640 Poe Avenue, Suite 400, Dayton, Ohio 45414.

**COLLEGE HILL LEADERSHIP ACADEMY  
HAMILTON COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013

<b>Assets:</b>	
Current Assets	
Cash and Cash Equivalents	\$ 13,727
Intergovernmental Receivables	22,513
Total Current Assets	<u>36,240</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>27,439</u>
Total Noncurrent Assets	<u>27,439</u>
Total Assets	<u>\$ 63,679</u>
<b>Liabilities:</b>	
Current Liabilities	
Accounts Payable	\$ 10,085
Accrued Wages and Benefits Payable	19,974
Intergovernmental Payable	8,897
Unearned Revenue	194
Total Current Liabilities	<u>39,150</u>
Total Liabilities	<u>39,150</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	27,439
Unrestricted	<u>(2,910)</u>
Total Net Position	<u>24,529</u>
Total Liabilities and Net Position	<u>\$ 63,679</u>

See accompanying notes to the basic financial statements.

**COLLEGE HILL LEADERSHIP ACADEMY  
HAMILTON COUNTY**

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

<b>Operating Revenues:</b>	
Foundation Payments	\$ 570,291
Other Unrestricted Grants-In-Aid	<u>1,967</u>
Total Operating Revenues	<u>572,258</u>
<b>Operating Expenses:</b>	
Salaries & Wages	261,430
Fringe Benefits	94,592
Purchased Services	365,811
Materials and Supplies	148,488
Depreciation	5,647
Other Expenses	<u>16,204</u>
Total Operating Expenses	<u>892,172</u>
Operating Loss	<u>(319,914)</u>
<b>Non-Operating Revenues:</b>	
Federal & State Grant Revenue	190,621
Other non-operating revenue	<u>70</u>
Total Non-Operating Revenues	<u>190,691</u>
Change in Net Position	(129,223)
Net Position Beginning of Year	<u>153,752</u>
Net Position End of Year	<u>\$ 24,529</u>

See accompanying notes to the basic financial statements.

**COLLEGE HILL LEADERSHIP ACADEMY  
HAMILTON COUNTY**

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

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	\$ 570,291
Cash Received from Other	1,967
Cash Payments to Employees for Services and Benefits	(428,124)
Cash Payments to Suppliers for Goods and Services	(512,550)
Other Operating Expenses	(16,204)
<b>Net Cash Used for Operating Activities</b>	<u>(384,620)</u>
Cash Flows from Noncapital Financing Activities:	
Cash received from other nonoperating revenue	70
Federal Grants	358,486
Proceeds from Loans	15,000
Principal Payments on Loans	(15,000)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>358,556</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(18,693)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(18,693)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(44,757)
Cash and Cash Equivalents at Beginning of Year	58,484
Cash and Cash Equivalents at End of Year	<u>\$ 13,727</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating (Loss)	\$ (319,914)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:	
Depreciation	5,647
Changes in Assets and Liabilities:	
Intergovernmental Receivable	(15,963)
Accounts Payable	1,749
Accrued Wages	(39,295)
Intergovernmental Payable	(16,844)
<b>Net Cash Used for Operating Activities</b>	<u>\$ (384,620)</u>

See accompanying notes to the basic financial statements.

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# COLLEGE HILL LEADERSHIP ACADEMY

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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## 1. Description of the School and Reporting Entity:

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

The School had one fiscal service provider during the 2013 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2013 fiscal period. The Richland Academy was the School's sponsor in fiscal year 2013. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Trustees (the Board). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's instructional/support facility staffed by 8 non-certified and 17 certificated full time teaching personnel who provide services to 86 students.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 10.

## 2. Summary of Significant Accounting Policies:

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

### A. Basis of Presentation

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

**COLLEGE HILL LEADERSHIP ACADEMY**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the statement of net position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources are defined as net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

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

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Building	10-20 years
Furniture, Fixtures, and Equipment	5 years



## COLLEGE HILL LEADERSHIP ACADEMY

Hamilton County

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

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### 2. Summary of Significant Accounting Policies (Continued):

#### F. 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 these estimates.

#### G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. The State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. The proceeds received from the State's tax on casino revenue are recognized as operating revenues in the accounting period in which they are earned. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

#### H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program and Other Unrestricted Grants-In-Aid distributed from the State's proceeds of the tax on gross casino revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies, depreciation and other.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings and expense, if any, and contributions comprise the non-operating revenues and expenses of the School.

#### I. Accrued Liabilities Payable

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

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2013 contract.

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

Intergovernmental payable - payments made after year-end for the Schools' share of retirement contributions, Medicare and Workers' Compensation associated with services rendered during the fiscal year.

**COLLEGE HILL LEADERSHIP ACADEMY**

Hamilton County

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

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2. Summary of Significant Accounting Policies (Continued):

J. Deferred Outflows/Inflows of Resources

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

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

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. Economic Dependency

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

3. Deposits and Investments:

At June 30, 2013, the carrying amount of the School's deposits was \$13,727 and the bank balance was \$21,539. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

**COLLEGE HILL LEADERSHIP ACADEMY**

Hamilton County

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

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2013 is as follows:

<u>Grants Receivables</u>	<u>Amount</u>
Pension Overpayment	\$14,357
BWC Overpayment	1,606
Federal Grants	<u>6,550</u>
Total	<u>\$22,513</u>

5. Capital Assets:

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

<b>Capital Assets:</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Ending Balance</u></b>
Building	\$ -	\$ 6,697	\$ -	\$ 6,697
Furniture and Equipment	20,561	11,996	-	32,557
Total Capital Assets	<u>20,561</u>	<u>18,693</u>	<u>-</u>	<u>39,254</u>
<b>Accumulated Depreciation:</b>				
Building	-	(335)	-	(335)
Furniture and Equipment	(6,168)	(5,312)	-	(11,480)
Total Accumulated Depreciation	<u>(6,168)</u>	<u>(5,647)</u>	<u>-</u>	<u>(11,815)</u>
<b>Capital Assets, Net</b>	<u>\$ 14,393</u>	<u>\$ 13,046</u>	<u>\$ -</u>	<u>\$ 27,439</u>

6. Risk Management:

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For the year ended June 30, 2013, the School contracted with the Cincinnati Insurance Company for its insurance coverage as follows:

General Liability (aggregate)	\$3,000,000
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There was no significant reduction in coverage during the fiscal year. Settlement amounts have not exceed coverage amounts in any of the last three fiscal years.

## COLLEGE HILL LEADERSHIP ACADEMY

Hamilton County

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

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### 6. Risk Management (Continued):

#### B. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is determined by the State.

#### C. Employee insurance Benefits

The School utilizes Superior Dental, and Anthem Blue Cross Blue Shield to provide dental, health, life, accidental death and dismemberment insurance benefits to School employees.

### 7. Defined Benefit Pension Plans:

#### A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.1%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$10,058, \$18,501, and \$8,018, respectively. The entire amount has been contributed for fiscal years 2011, 2012, and 2013.

#### B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## COLLEGE HILL LEADERSHIP ACADEMY

Hamilton County

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

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### 7. Defined Benefit Pension Plans (Continued):

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

## COLLEGE HILL LEADERSHIP ACADEMY

Hamilton County

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

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### 7. Defined Benefit Pension Plans (continued):

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The School's required contribution for pension obligations for the fiscal years ended June 30, 2013, 2012, and 2011 were \$27,735, \$37,425, and \$12,096, respectively. The entire amount has been contributed for fiscal years 2011, 2012, and 2013.

### 8. Post-employment Benefits:

#### A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

## COLLEGE HILL LEADERSHIP ACADEMY

Hamilton County

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

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### 8. Post-employment Benefits (continued):

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School's required contributions for the years ended June 30, 2013, 2012, and 2011 were \$437, \$1,128, and \$516, respectively. The entire amount has been contributed for fiscal years 2011, 2012, and 2013.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's required contributions assigned to health care, including the surcharge, for the years ended June 30, 2013, 2012, and 2011 were \$918, \$4,868, and \$2,059, respectively. The entire amount has been contributed for fiscal years 2011, 2012, and 2013.

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](http://www.ohsers.org) under Employers/Audit Resources.

## COLLEGE HILL LEADERSHIP ACADEMY

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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### 8. Post-employment Benefits (continued):

#### B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal year ended June 30, 2013, 2012, and 2011 were \$1,951, \$3,094, and \$930, respectively. The entire amount was contributed for fiscal years 2011, 2012, and 2013.

### 9. Contingencies:

#### A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

#### B. Full-Time Equivalency Reviews

The Ohio Department of Education reviews enrollment and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. There has been a review for the 2012-2013 school year; however, the results of this review did not have a material effect on the financial statements.



**COLLEGE HILL LEADERSHIP ACADEMY**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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10. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

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

The School paid M&A \$78,132 during fiscal year 2013.

11. Other Purchased Services:

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

Management Services	\$ 76,064
Data Processing Services	4,448
Professional and Technical Services	95,379
Garbage Removal	1,215
Rentals	76,135
Telephone Services	5,752
Advertising	160
Other Communications Services	11,735
Utilities	11,713
Contracted Food Services	83,210
Total	<u>\$ 365,811</u>

12. Short-term Loan/Related Party

During the fiscal year, the School borrowed \$15,000 from Mangen & Associates to fund operations. The loans had an interest rate of 0%. The School repaid the entire loan during the fiscal year.

**COLLEGE HILL LEADERSHIP ACADEMY**

Hamilton County

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2013

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13. Operating Leases:

The School entered into a lease agreement for a building with American Medical Building. Monthly rent is \$4,917. Lease payments made to American Medical Building during the fiscal year totaled \$59,000.

14. Change in Accounting Principle:

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

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

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

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

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

**COLLEGE HILL LEADERSHIP ACADEMY**

Hamilton County

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

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15. Ceased Operations/Subsequent Events:

The School discontinued operations in August 23, 2013, effectively closing the School after the end of the 2013 school year, and the School is currently in the process of dissolving the remaining assets and liabilities.

The following schedule summarizes the cash receipts and cash disbursements of the School for the liquidation period July 1, 2013 through March 12, 2014:

Operating Receipts:	
Foundation Payments	\$ 95,012
Other Unrestricted Grants-In-Aid	2,012
Total Operating Receipts	<u>97,024</u>
Operating Disbursements:	
Salaries and Fringe Benefits	27,622
Purchased Services	73,939
Materials and Supplies	933
Other	9,149
Total Operating Disbursements	<u>111,643</u>
Non-Operating Receipts	
Federal and State Grants	8,660
Net Decrease in Cash	(5,959)
Beginning Cash, July 1, 2013	<u>13,727</u>
Ending Cash, March 12, 2014	<u>\$ 7,768</u>

In addition, the Ohio Department of Education has established procedures to be followed when a community school is closed. The School's management has partially completed these procedures as of the opinion date. All assets remaining at the School were donated to other community schools in September 2013 in accordance with State regulations. As of the opinion date, the School had outstanding obligations to Auditor of State for audit fees and to Mangen & Associates for treasurer fees. After all outstanding obligations have been paid, all remaining cash will be provided to the Ohio Department of Education.

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# Dave Yost • Auditor of State

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

College Hill Leadership Academy  
Hamilton County  
c/o Richland Academy for the Arts  
75 North Walnut Street  
Mansfield, Ohio 44902

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 the business-type activities of College Hill Leadership Academy, Hamilton County, (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 12, 2014, wherein we noted that the School ceased operations on August 23, 2013 due to declining student enrollment.

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

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 12, 2014



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

College Hill Leadership Academy  
Hamilton County  
c/o Richland Academy for the Arts  
75 North Walnut Street  
Mansfield, Ohio 44902

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether College Hill Leadership Academy (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on February 27, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" but did not amend it to include by an "electronic act".

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

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 12, 2014

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.ohioauditor.gov](http://www.ohioauditor.gov)

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# Dave Yost • Auditor of State

**COLLEGE HILL LEADERSHIP ACADEMY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 1, 2014**